

Reference Document/ Relevant Legislation	PASAI HR Manual Audit of International Institutions INTOSAI 2004 Guidance for SAIs International Standards For The Professional Practice Of Internal Auditing (Standards)
Commencement Date	23 rd January 2020
Review Date	The review date is 12 months after the commencement date and every three years after that.

POLICY STATEMENT

1 Intent

The Office of the Auditor General will assess organizational risk on a regular basis and supplement this with appropriately implemented and regularly monitored risk management initiatives and by implementing internal audit procedures for high & medium level identified risks.

Additionally, we will accomplish beyond reproach and aspire to be exemplary public sector auditing arm.

2 Scope

To ensure compliance to procedures and considering the impact of risks at a wider perspective, it is important to recognize and add more value through enhanced internal audit procedures.

At the end of every internal audit, the auditors will briefly outline the audit findings and this will usually reinforce discussions held while the audit was in progress. Recommendation will also follow in the internal audit report.

3 Objective(s)

The objectives of Internal Auditing are:

- To recommend the implementation of changes based on the audit findings
- To make recommendations to management

4 Purpose

The purpose of the International Standards for the Professional Practice of Internal Auditing (Standards) is to:

- Guide adherence with the mandatory elements of the reporting framework.
- Provide a guide for performing and promoting a broad range of value-added internal auditing services.
- Establish the basis for the evaluation of internal audit on risk identified areas
- Foster improved organizational processes and operations.

5 Definitions and Acronyms

Policy Maker Auditor-General
Management Executive Management Committee

6 Supporting Documents/References

PASAI HR Manual
Audit of international institutions INTOSAI 2004 Guidance for SAIs
International Standards for the Professional Practice of Internal Auditing (Standards)

7 Keywords

Internal Audit
Annual Internal Audit Plan

7 Supporting Procedures and Guidelines

The guidelines to this policy are attached as Annexure I to this policy. This information will provide the background to the development of the policy should officers need clarification.

RESPONSIBILITIES	
Implementation	Audit & Risk Compliance Committee
Compliance	All Staff
Monitoring and Evaluation	Audit & Risk Compliance Committee
Development and/or Review	Corporate Services division
Interpretation and Advice	Deputy Auditor General

ANNEXURE 1

Definitions

What Is Internal Audit?

Internal audit is defined by the US-based Institute of Internal Auditors, Inc. as:

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

Objectivity is an unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors do not subordinate their judgment on audit matters to others. Threats to objectivity must be managed at the individual auditor, engagement, functional, and organizational levels.

1. The Audit & Risk Compliance Committee

The Audit & Risk Compliance Committee will be formed within OAG and this will be chaired by the Deputy Auditor General and at least 3 Members of the Executive Management Committee will form part of the committee. The Risk and Compliance Officer will be co-opted Member of the Committee. Auditors will be appointed to the Committee on the recommendation of the Committee & endorsement of the Auditor General. The auditors will be responsible to carry out internal audits of all high & medium risk identified areas. The priority of the committee is to carry out internal audits of all high & medium risk identified areas.

The role of the Audit & Risk Compliance Committee shall encompass the examination and evaluation of the adequacy and effectiveness of the OAG's system of internal control and the quality of performance in carrying out assigned responsibilities at the organizational and group level.

In performance of the Committee roles, the committee members shall not have direct responsibility for or authority over any of the activities and operations reviewed. The committee will not relieve any responsibilities assigned to Executive Management in terms of any authority over any activities and operations.

Reviewing and monitoring follow-up audits and or progress on the implementation of audit recommendations including follow-ups on special audit or investigation conducted by external auditors to carry out such activities in specific areas will also form responsibility of the committee

The identified areas will be regularly audited by the committee based on negotiated terms and in compliance with current office policies.

2. Audit & Risk Compliance Committee Members

The appointed members to the Audit & Risk Compliance Committee will work towards development of the audit plans and comprehensive audit checklists. This will enable compliance with office procedures and to the planned audits. Based on the findings in the Internal Audit reports, necessary improvements, recommendation to financial systems, procedures, control and mitigating measures will be suggested for implementation.

Other aspects of the operations as and when required will also be audited from time to time to ensure the ongoing effectiveness of office procedures, practices, and controls.

The role of Audit & Risk Compliance Committee will be to provide independent assurance that OAG's risk management, governance and internal control processes are effectively monitored

Appointment, removal of the committee members and staff to the committee shall be responsibility of the Committee. Auditors will be appointed to the Committee on the recommendation of the Committee & endorsement of the Auditor General

If the Committee has any potential impairment to independence or objectivity, disclosure must be made prior to accepting the assignment.

Staff of the Audit & Risk Compliance Committee shall be responsible for conducting themselves in an appropriate manner so that their integrity, objectivity, confidentiality are not open to question. Disciplinary action shall be taken against staff found to be breaching this policy

3. Role of Audit & Risk Compliance

The following roles will be carried out for conducting internal audits in OAG:

- To ensure adequate and effective governance, risk, and control measures.
- Monitoring the implementation of audit recommendations throughout the year and assessing progress.
- To provide an independent view.
- Identify how OAG can manage risk.
- Assess how effective are the internal controls.

Each department will be responsible for reporting on progress through follow up audits, against the findings/emerging issues and reporting on the progress for implementing the recommendations.

The committee members shall report functionally to the Audit & Risk Compliance Committee and the Committee shall update the Executive Management Committee.

The auditors shall present a report on significant audit findings to the Committee at the conclusion of each audit assignment. The committee shall also communicate whether or not they have been satisfactorily resolved or not.

All internal audit activities shall remain free of influence by any other staff, including matters of audit selection, scope, procedures, frequency, and timing of report content in order to maintain the independent and objective state of mind the department requires when releasing its source documents

Internal Audit specifically completed on a departmental function shall not exceed 2 years before the next review takes place while reviews of risk areas will be carried out at a regular interval depending on the level of risk.

4. Process

1. The Audit & Risk Compliance Committee shall will issue the plan to the Chair, who shall sign off the audit plan.
2. At the commencement of Audit, the Auditors will collate evidence for the audit and obtain the responses from the relevant managers
3. The final report will be issued after the auditors are satisfied that the responses addresses the issues identified.
4. Final reports are submitted to Executive Management Committee through the Audit & Risk Compliance Committee Chair.

5. Annual Internal Audit Plan

The Internal Audit Plan shall be compiled by the appointed Audit & Risk Compliance Committee Members on an annual basis. This will be annual risk-based audit work plan. The committee members shall be responsible for the delivery of the approved plan including scope, activities to be audited, development of binding policies and the continual professional development of the internal audit staffs.

The Audit & Risk Compliance Committee shall provide at the end of each quarter an update report on the following:

- Actual performance against the approved annual work plan
- Reasons for variances in the planned and actual work performances and budget.

Additionally, the committee members shall provide a report on the Audit & Risk Compliance Committee at the end of financial year. The report shall include the subsequent year's annual work plan, follow up audits from previous year, audits in progress and those that are yet to commence. The follow up audit reviews shall include status of audit recommendation made in prior audit reports.

Tabulated below are some of the audits that can be considered for review of departmental function in addition to the Audit Plan.

Area	Core Focus
Registry Functions	To assess the registry and administration functions.
Payroll	This audit will consider the effectiveness of the administration of salary, leave, benefits and statutory payments to ensure systematic standard procedures across the office.
Procurements & Tender	This audit will consider the processes and frameworks in place to monitor the procurements undertaken by OAG.
Asset Management	This audit will assess the controls in place to safeguard the assets exposure to loss, and also consider the processes in place to assess the use of idle assets, OHS controls and so forth.
Human Resources & Administration	This audit will assess the effectiveness of current HR processes such as recruitments and other administrative processes. The audit will consider compliance with the relevant policies and processes in place to manage the associated risks.
Performance Assessment	The audit will look at the processes and frameworks in place to manage the performance of staff, identify and deliver the training and professional development needs of staff, setting and monitoring remuneration across the office.
IT Function	This audit will determine if the office complies with the defined system processes involved within IT operations.

6. The Committee will give an independent view by analyzing information from the following sources

- a. OAG's risk register.
- b. The independently audited financial statements.
- c. Reports from the previous Internal Audits
- d. Other reports the Auditors may wish to see as part of its scrutiny work.
- e. Discussion or Reports from Executive Management.
- f. Discussions with Management.

Not all matters arising during the audit will be reflected in the formal audit report. Possible sources of information on such matters as well as other sources of useful information are:

- handover discussions with the previous auditor;

- management letters;
- meetings with key staff involved in the audit work

8 Access to Records, Reports, Personnel

The Audit & Risk Compliance Committee will have the authority to have full, free and unrestricted access to all the activities, records and personnel relevant to the subject under review. The committee shall be free to review and appraise all programs, policies, plans, procedures, records and systems.

All documents and information provided to the internal auditors shall be handled in the same prudent manner as expected of those who are normally accountable for them.

In the case where access to information is denied, the auditors shall bring the matter to the Chair of the Committee who shall ensure that the matter is resolved.

The Auditor General shall ensure that appropriate disciplinary action is taken against staff or managers who fail to release the information/records for audit purposes. If the issues remain unsolved then the matter should be referred to the 'Committee' as part of the report on the area being audited. The report should highlight the implications on the scope of the audit and any associated risks as a result of non-provision of the information or record.

9 Progress Reports

Audit Follow up progress reports will indicate the progress made from the findings and these will also be communicated in a timely manner and in writing to the respective departments.

10 Internal Audit Findings Report

The main objective of this review is to provide an assurance to the Auditor General that the control measures in place are in compliance with office policies and standard procedures and in doing so, there are strong mitigating measures in place for all levels of risk.

An audit report shall be prepared and issued by the Committee at the conclusion of each audit and shall be distributed as appropriate. The department receiving the report should respond to the audit recommendations and the responses which shall be included in final report. The responses should include a timeframe for anticipated completion of the action to be taken.

The committee shall report to the Chair on the Committee on any matters which in his or her sole opinion warrant direct attention or action of the Auditor General.

11 Special Audits

Subject to the availability of funding and approval of the Auditor General, the committee may request to engage an expert to carry out audits in specific areas. Unless stated, all expert services shall be engaged through the standard procurement process.

The reports prepared through expert services shall be presented by the Committee in the same manner as those presented for other audits conducted by the Committee.

The Committee shall ensure that the agreed audit scope and timelines are adhered by the expert.

12 Relationship with the External Auditor

The Audit & Risk Compliance Committee shall consult with the external auditor on a regular basis to coordinate the audit activities within those of the external auditor's scope to avoid duplication of duties and maximize audit coverage and cost efficiency

Audit & Risk Compliance Committee shall provide the follow-up mechanism for prompt responses from management on the audit findings contained in the Management Letters issued by the external auditors.



Annexure 2

Guiding Principles

The following guiding principles will guide the Audit & Risk Compliance Committee.

1. Competency for activities/tasks and standards

The Committee Members will focus on:

- Achieving impact: establishing appropriate and constructive relationships within OAG.
- Staff to meet the accountability needs and to hold themselves accountable for achieving results
- Completing the audit work: develop, update, and apply knowledge, skills, methodology, and tools necessary to deliver timely products that meet the highest professional standards.
- Working with others: create a positive work environment and demonstrate commitment to clients, stakeholders, and each other in achieving OAG goals.
- Communicating for results: present information and results using Internal Audit Reports and providing suggestion for further improvements.
- Promoting professional development: enhance responsibility and take action to develop professionally and support others in achieving their professional development goals

2. Main function of the Audit & Risk Compliance Committee is to cover:

- Findings from previous audits;
- Changes to or implementation of new systems;
- Accounting processes;
- Indicators of fraud and error;
- Other risk indicators identified,
- Focus areas and related audit objectives;
- Need for specialists/special skills

3. The operational aspect of the Audit will reflect:

- Review of previous audit and suggested improvements;
- Results of developing partners reviews/benchmarking
- Client satisfaction surveys and suggested improvements;
- Effectiveness of Performance appraisals system;
- Challenges typical to the local/international operating environment
- Strengthen and weaknesses of internal procurement process.

4. Tabulated below are the summary of actions evolving around how and why audits are performed

The Purpose	Its Importance
The Auditors will ask necessary questions about failures, controls or the management of risk.	This will ensure reasons for decisions to be independently scrutinized. This can help in the design and operation of future controls to avoid failures.
To assist in learning lessons for the future.	Independent scrutiny and discussion will enable key risk and control mechanisms to be understood and reinforced. This will support a culture of transparency.
To ensure control environment is satisfactory.	This will include matters like the organizational culture, levels of delegation and business ethics. This is commonly known as 'tone from the top'. The Auditors will look to see if it supports the achievement of the business processes

To ensure audit functions do appropriate quality work.	The Audit team will produce high quality, meaningful work about the office. This will support a culture of continuous improvement
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5. Responsibility of the Department/Team Leaders

The Heads of Department or activity under review shall provide full co-operation to the staff of Audit & Risk Compliance Committee and shall be responsible for developing action plans and implementing the recommendations contained in the audit reports.

The committee shall provide the follow up mechanism for prompt responses from Management on audit findings.

6. The table below summarizes the sample responses for draft report recommendations:

Response	What you should do
Management agrees with the recommendations	<ol style="list-style-type: none"> 1. State that you agree with the recommendation. 2. Say what corrective action you will take. This might be outlined in the audit recommendations. In these cases, it is satisfactory to say “We will implement the improvements stated in the recommendation”. 3. Say who is going to do the implementation? 4. State who the responsible officer for the implementation is. 5. State the timeline for implementing the recommendation
Management agrees with the findings but not the recommendation.	<ol style="list-style-type: none"> 1. State that you agree with the finding 2. State why you disagree with the recommendation. 3. Say what alternative corrective action you will take. 4. Say who is going to do the implementation? 5. State the responsible officer for the implementation. 6. State the timeline for implementing the recommendation.
Management disagrees with the evidence for the recommendation.	The reasons for the disagreement should be clearly stated.

8 Review

This policy will be reviewed 12 months after implementation and every 3 years thereafter.

9 Who to Contact About this Policy

Any queries is directed to Deputy Auditor General

10 Approval

This policy becomes effective on the date approved by the Executive Management Committee

11 Revision/Change Log

Version 1.0	
Policy endorsed by:	Executive Management Committee
Policy approved by:	Auditor-General
Policy effective from:	23-01-2020
Policy to be reviewed by:	23-01-2021
Policy prepared by:	Senior Admin Officer (Training & Policy)
Manager responsible for policy:	Manager Corporate Services