



# REPUBLIC OF NAMIBIA

## INTERNAL AUDIT MANUAL

*Published by the Directorate of Government Internal Audit & Policy Coordination, Ministry of Finance & Public Enterprises*

**June 2024**

## Foreword by the Minister of Finance & Public Enterprises

Internal auditing is conducted in diverse legal and cultural environments, for organizations that vary in purpose, size, complexity, and structure, and by persons within or outside the organization. While differences may affect the practice of internal auditing in each environment, conformance with The Global Internal Audit Standards is essential in meeting the responsibilities of Internal Auditors and the internal audit activity.

I am pleased to put this document in motion, by way of approving it. This document is of vital importance for the operationalization of uniform and quality audit activities. In Namibia, internal audit units play a vital role in supporting their respective Namibia Government Offices, Ministries and Agencies (OMAs), Regional Councils (RCs) and Local Authority Councils (LACS), in the achievement of their set strategic objectives. This is done when management-relies on the Internal Audit activity/ Units to evaluate and advise on the aspects of: Governance, Risk Management and Control issues.

It should be noted that the value-addition of internal audit activity can only be realized if Internal Auditors in the government are professionally equipped to enable them to effectively implement their mandate. To this end, the Ministry of Finance and Public Enterprises (MFPE) has made strides in strengthening internal audit across the government. As a result of the support from the Commonwealth Secretariat, we have been able to have this important manual realized.

It is expected that this Government Internal Audit Manual is going to be implemented by all Internal Auditors in the OMAs, RCs as well as those in the LACs. By nature, this manual provides comprehensive guidance to the Internal Auditors on how to implement audit engagements from the inception to the conclusion.

The expectation is that with the consistent use of this manual, there is going to be uniformity in the audit processes being by the public sector internal audit activities/units. Furthermore, use of this Manual will enable the Internal Auditors to deliver audits of the highest quality.

As I decree the Manual is for enactment, the hard work of ensuring that all Public Sector Internal Auditors implement it starts earnestly. For the smooth coordination of Internal Audit activities across the government, the team responsible for the coordination in the DGIAPC has to ensure that all necessary assistance is given to the OMAs, RCs and LACs to ensure that they successfully adopt and utilize this Manual.

The completion of this manual was a concerted effort of the Directorate and its key stakeholders like the Heads of Internal Audit in the OMAs and RCs. We applaud the DGIAPC, however, the expectation is to see through that the Manual is rolled-out to all OMAs, RCs and LACs and consistently applied.

The Government will continue prioritizing the support to the Public Sector Internal Auditors in every way possible because we value their oversight function.

  
.....  
**HONOURABLE IPUMBU SHIIMI (MP)**  
**MINISTER FINANCE AND PUBLIC ENTERPRISES**

25/06/2024  
.....  
**DATE**



## Statement from the Director, Directorate of Government Internal Audit & Policy Coordination: Ministry of Finance & Public Enterprises

On behalf of the DGIAPC, the Internal Auditors from OMAs, RCs and LACs, I am proud and happy to see that we have achieved this important milestone of developing a Government-wide Internal Audit Operations Manual. This Manual shall constitute our Standard Operating Procedures (SOPs) moving forward, as a means of ensuring uniformity of internal audit practices across the government.

The DGIAPC has the responsibility for ensuring that there is uniformity in the operations of internal audit units in the OMAs, RCs and LACs. Furthermore, the Directorate is also responsible for coordinating the Government Quality Assurance and Improvement Program (QAIP) to maintain cohesion and coherent for internal audit units' practice, and professional improvement. The fundamental for QAIP is to ensure that relevant standards as they emerge are brought on board, and all necessary improvements are assimilated to maintain efficiency, and keep within contemporary effectiveness, thereby ensuring that manuals are kept and are operationalized at optimal level.

In developing this Manual, our team focused on ensuring that it is not only comprehensive, but easy to use by every Government Internal Auditor, regardless of their occupational level or prior experience. This Manual is also equipped with all the necessary templates that our Internal Auditors need while undertaking their audit engagements. With the use of these templates, we will be assured that Internal Audits are being conducted in compliance with the Global Internal Audit Standards as enshrined in the International Professional Practice Framework (IPPF). We will also be assured of a quality and comprehensive audit process that will focus on the key risks in the area under review.

The DGIAPC will continue closely working with the OMAs, RCs and LACs Heads of Internal Audit in giving them the needed support to ensure that this Manual becomes part and parcel of their internal audit operations. As this is a living document, we will also continue working together and accordingly making any needed adjustments to the Manual to ensure that it is in line with the evolving public sector landscape within the Namibian Government and responsive to contemporary practices.

As I conclude, I must say, we are indebted to the Commonwealth Secretariat for having promptly and readily responded to our request for assistance in the strengthening of internal audit within the Namibian Government, thereby making it a reality. We hope to continue closely working with the Government as well as all our development partners in seeing how public sector internal audit can further be strengthened and supported to ensure that the auditors are able to undertake their mandate of being value-adding advisors/consultants to the OMAs, RCs and LACs.

  
.....  
**PF CLOETE-HANGULA (IAT, PIA, CFP)**  
**DIRECTOR: DGIAPC**

.....  
**DATE**



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## List of Abbreviations

ARC	Audit and Risk Committee
CAATs	Computer Assisted Audit Techniques
CFE	Certified Fraud Examiner
CIA	Certified Internal Auditor
CISA	Certified Information Systems Auditor
CPD	Continuous Professional Development
CRO	Chief Regional Officer
DAR	Detailed Audit Results
DGIAPC	Directorate Government Internal Audit and Policy Coordination
GRC	Governance, Risk Management and Internal Control
GRAC	Government Risk and Audit Committee
GTAG	Global Technology Audit Guides
IAU	Internal Audit Unit
IFMS	Integrated Financial Management System
IIA	Institute of Internal Auditors
IPPF	International Professional Practices Framework
MFPE	Ministry of Finance and Public Enterprises
OAG	Office of the Auditor General
OMAs	Offices, Ministries and Agencies
PSIA	Public Sector Internal Audit
PSIAP	Public Sector Internal Audit Policy
PSSR	Public Service Staff Rules
QAIP	Quality Assurance & Improvement Program
RCs	Regional Councils
SOPs	Standards Operational Procedures
ToR	Terms of Reference
WP	Working Papers

## 1. Introduction

### 1.1 Purpose and contents of this manual

The role and importance of Internal Audit within the Government of Namibia has been recognized. As a result of this, many IAUs have been established within the various OMAs, RCs as well as in the LACs. To further ensure that internal audit is well coordinated across the Government, the DGIAPC was set up and is fully operational. The DGIAPC has the responsibility of ensuring that the IAUs are delivering value to the OMAs, RCs and LACs through ensuring that all audit engagements are undertaken in line with the standards.

To ensure uniformity and improve the quality of internal audit engagements across the OMAs, RCs and LACs, the current manual has been further revised. This revised manual is to be used by all the Internal Auditors in the OMAs, RCs and LACs. By following the guidelines in this Manual, it is expected that there will be improved quality assurance and professionalism in the audit process. This will in turn ensure that the internal audit function is effective and efficient in executing its oversight mandate across the Government.

The revision and updating of this manual is part of the MFPE' focus on strengthening the professional capacity of internal audit so that it is well equipped to efficiently and effectively undertake its mandate of providing oversight services to the various OMAs and RCs.

This Manual provides guidance to the Internal Auditors across the whole audit cycle. It should however be noted that the Manual is only a guide and auditors are expected to use their professional judgement during the course of their work.

### 1.2 Objective of this Manual

The key objective of this manual is to ensure that there is a standard methodology being used by all Government of Namibia Internal Auditors in conducting of internal audit engagements. Compliance with this manual will also ensure that the Internal Auditors are complying with the Global Internal Audit Standards and Topical Requirements. It should be noted that the core of this manual is primarily based on the Global Internal Audit Standards published by the Institute of Internal Auditors.

This manual should be used in conjunction with all other applicable Global Practice Guidance that provide detailed approaches, step-by-step processes, and examples on subjects including assurance engagement planning, performance, and communication, financial services, fraud and other pervasive risks, strategy and management of the internal audit function, public sector, and Sustainability. Global Technology Audit Guides (GTAG) provide auditors with the knowledge to perform assurance or consulting services related to an organization's information technology and information security risks and controls.

Although the scope and nature of the system(s) being audited may differ substantially from one audit to the next, this manual must be applied for the auditing of all the OMAs and RCs' systems of Governance, Risk Management and Internal Control (GRC) for adequacy and effectiveness.

The manual is a working document and will be amended and adjusted as per the changes within the various Government of Namibia regulations, laws and frameworks.

### 1.3 Responsibility for the manual

The Director, DGIAPC has overall responsibility for this manual.

### 1.4 Clarifications

Requests for clarifications or explanations on the contents of this Manual should be addressed to the Director of the DGIAPC at the MFPE.



## **Republic of Namibia Internal Audit Manual**

The Director of DGIAPC, will from time to time, issue circulars and notices amending or adding to the policies and procedures to keep pace with the changing Government requirements and modifications in the applicable laws, regulations, and Global Internal Audit Standards.

## 2. Domain I: Purpose of Internal Auditing

Internal auditing strengthens the organization's ability to create, protect, and sustain value by providing the board and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

## 3. Domain II: Ethics and Professionalism

The principle and standards in the Ethics and Professionalism domain of the Global Internal Audit Standards outline the behavioural expectations for professional internal auditors including head of internal audits, other individuals, and any entities that provide internal audit services. Conformance with the principles and standards instils trust in the profession of internal auditing, creates an ethical culture within the internal audit function, and provides the basis for reliance on the internal auditor's work and judgement.

All internal auditors are required to conform with the standards of ethics and professionalism. If internal auditors are expected to abide by other codes of ethics, behaviour, or conduct, such as those of an organization, conformance with the principles and standards of ethics and professionalism contained herein is still expected. The fact that a particular behaviour is not mentioned in these principles and standards does not preclude it from being considered unacceptable or discreditable.

### **IIA Principles**

According to the IIA, Internal Auditors are expected to apply and uphold the following principles:

#### ***Principle 1 Demonstrate Integrity***

- Internal Auditors must perform their work with honesty and professional courage.
- Internal auditors must understand, respect, meet, and contribute to the legitimate and ethical expectations of the organization and must be able to recognize conduct that is contrary to those expectations.
- Internal auditors must not engage in or be a party to any activity that is illegal or discreditable to the organization or the profession of internal auditing or that may harm the organization or its employees.

#### ***Principle 2 Maintain Objectivity***

- Internal auditors must maintain professional objectivity when performing all aspects of internal- audit services.
- Internal Auditors must recognize and avoid or mitigate actual, potential, and perceived impairments to objectivity.
- If objectivity is impaired in fact or appearance, the details of the impairment must- be disclosed promptly to the appropriate parties.

In the event that an Internal Auditor performs an operational function, he/she cannot and shall not be entitled/ allowed to audit that/those transaction(s)

**Principle 3 Demonstrate Competency**

- Internal auditors must possess or obtain the competency to perform their responsibilities successfully.
- Internal auditors must maintain and continually develop their competencies to improve the effectiveness and quality of internal audit services.

**Principle 4 Exercise Due Professional Care**

- Internal auditors must plan and perform internal audit services in accordance with the Global Internal Audit Standards
- Internal auditors must exercise due professional care by assessing the nature, circumstances, and requirements of the services to be provided, including: the organization's strategy and objectives, the interests of those for whom internal audit services are provided and the interests of other stakeholders, adequacy and effectiveness of governance, risk management and control processes, etc.
- Internal auditors must exercise professional skepticism when planning and performing internal audit services.

**3.4 Due professional care**

All Internal Auditors shall ensure that they conduct their audit assignments with due professional care and in accordance with the Global Internal Audit Standards as issued by the IIA and the approved Code of Ethics of the IIA and that of the DGIAPC and the relevant Government of Namibia Laws and Regulations.

Due professional care is the care and skill that prudent and competent Internal Auditors shall apply in performing their duties and these are:

- Working with competence and diligence;
- Use of audit skills, knowledge and judgment based on appropriate experience, training, ability, integrity and objectivity;

Due professional care will be appropriate to the objectives, complexity, nature and materiality of the audit being performed.

OMAs and RCs Internal Auditors must treat as confidential any information they receive in carrying out their duties. There must not be any unauthorised disclosure of information unless there is a legal or professional justification to do so. Confidential information gained in the course of the audit must not be used for personal gain.

**Principle 5 Maintain Confidentiality**

- Internal auditors must follow the relevant policies, procedures, laws, and regulations when using information.
- Internal auditors must be aware of their responsibilities for protecting information and demonstrate respect for the confidentiality, privacy, and ownership of information acquired when performing internal audit services or as the result of professional relationships.



## 4. Domain III Governing the Internal Audit Function

Appropriate governance arrangements are essential to enable the internal audit function to be effective. This domain outlines the requirements for the Head of Internal Audit to work closely with the Audit Committee to establish the internal audit function, position it independently, and oversee its performance. This domain also outlines senior management's responsibilities that support the Audit Committee's responsibilities and promote strong governance of the internal audit function.

### Principle 6 Authorized by the Board

The Head of Internal Audit must provide the Audit Committee and management with the information necessary to establish the internal audit mandate.

The internal audit function receives its mandate from applicable laws, regulations, administrative orders, and rules such as the State Finance Act 31 of 1991, **Section 14** states that Treasury may designate as internal auditor or auditors any officer or officers of the Ministry of Finance to carry out investigations at ministries, public offices and statutory institutions in connection with any matters relating to the functions of the Treasury and to determine whether the provisions of this Act or any instructions issued under section 24 have been or are being complied with, **Section 15 (1)** An internal auditor designated under section 14 shall perform his or her functions subject to the directions of the Treasury and shall have access to all such accounts, documents, books and records of a ministry, public office or statutory institutions as may be necessary for performing his or her functions. **Treasury Instruction BD0200** states that Treasury internal auditors and investigations officers are appointed in writing, and are required to present their certificate of appointment on demand, the Public Sector Internal Audit Policy (PSIAP), Public Service Staff Rules (PSSR).

The [Public Sector Internal Audit Policy \(PSIAP\)](#) was approved by the Cabinet on the 19<sup>th</sup> June 2018 (Cabinet Decision 8th/19.06.18/014). The PSIAP is designed to strengthen the internal audit function based on the provisions of the Public Finance Management Bill and State Finance Act (Act 31 of 1991).

The PSIAP seeks to provide comprehensive guidance on the Powers, Mandate, Roles and Responsibilities of Internal Audit and Audit Committees within Public Sector and, to ensure the alignment and compliance with international standards and best practices for modern Internal Audit activities and Audit Committees.

Sections 4 and 24 (c) and (d) of the State Finance Act 31 of 1991 makes clear that Accounting Officer at Public Sector are required to put in place an effective system of internal control and internal audit arrangements. These requirements are key components of sound financial management governance.

The OMAs/RCs/LACs Head of Internal Audit must develop and maintain an internal audit charter that specifies, at a minimum, the internal audit functions':

- Purpose of Internal Auditing
- Commitment to adhering to the global Internal Audit Standards
- Mandate, including scope and types of services to be provided, and the board's responsibilities and expectations regarding management's support of the internal audit function.
- Organizational position and reporting relationships

The Head of Internal Audit must provide the board and senior management with information needed to support and promote recognition of the internal audit function throughout the organization.

Overall oversight and coordination of all OMAs, RCs and LACs IAUs is done by the DGIAPC whose mandate is clearly stipulated in the DGIAPC Charter. As part of its strengthening and implementing of the QAIP across all OMAs, RCs and LACs, the DGIAPC has spearheaded the development of the Manual to be used across all OMAs, RCs and LACs IAUs.

### **Principle 7 Positioned Independently**

The Head of Internal Audit must confirm to the board the organizational independence of the internal audit function at least annually.

The Head of Internal Audit must help the board understand the qualifications and competencies of a Head of Internal Audit that are necessary to manage the internal audit function.

As per the Internal Audit Charters, the OMAs, RCs and LACs IAUs shall be sufficiently independent of the activities it audits to enable auditors to perform their duties in a manner that facilitates impartial and effective professional judgment and make recommendations for improvement. Internal Auditors in the OMAs and RCs will have no operational responsibilities

### **Principle 8 Overseen by the Board**

The Head of Internal Audit must provide the board with the information needed to conduct its oversight responsibilities.

The Head of Internal Audit must evaluate whether internal audit resources are sufficient to fulfill the internal audit mandate and achieve the internal audit plan.

The Head of Internal must develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the internal audit function. The program includes two types of assessments:

- External assessments (refer to standard 8.4)
- Internal assessments (refer to standard 12.1)

The Director of DGIAPC has to ensure that there is a QAIP that covers all aspects of the internal audit assurance and advisory services across all the OMAs, RCs and LACs. The QAIP is designed to periodically assess and take action to ensure that all the Government IAUs operate in an efficient and effective manner, and are consistently complying with the IIA Standards, the IIA definition of internal auditing, the Core Principles for the Professional Practice of Internal Auditing and the IIA Code of Ethics through the conduct of periodic and ongoing internal assessments.

The Director of DGIAPC and all the OMAs, RCs and LACs Heads of Internal Audit should ensure that quality assurance is a fundamental part of the internal audit process in all the OMAs, RCs and LACs. This is because quality assurance helps ensure that the Internal Audit Units are effective in conducting their work and that quality is maintained. All OMAs, RCs and LACs Heads of Internal Audit have the responsibility of ensuring that all engagements undertake reasonable quality assurance. The DGIAPC will also periodically select samples of OMAs, RCs and LACs audit engagements and review them to ascertain their level of compliance.

All OMAs/RCs/LACs Internal Auditors have a role and a responsibility for implementing the quality assurance activities and responding to the queries of the Quality Assurance team of the DGIAPC.

The OMAs, RCs and LACs Heads of Internal Audit, with the support of the DGIAPC, have the responsibilities of undertaking quality assurance through any of the following ways;

- a) Internal Assessments-** These involve the hot reviews and cold reviews during the audit planning, field work, and the reporting. Within the OMAs/RCs/LACs, teams should be selected to undertake reviews of all audit engagements before reports are released. The DGIAPC should also



select sample audit engagements and undertake reviews to ascertain whether the audits were properly conducted;

**External Assessments-** This is done by external qualified people who are not part of the DGIAPC or the OMAs/RCs/LACs Internal Audit Units. It will be done every after five years. The team will review the operations of the various OMAs, RCs and LACs IAUs and make recommendations aimed at helping improve the operations. The DGIAPC has the responsibility of coordinating this activity.

#### 4.1 Legal Framework for Government Internal Audit

All OMAs and RCs IAUs provide independent, objective review and advisory services to provide assurance to the Government Audit and Risk Committee and the relevant OMAs/RCs/LACs Management that the financial and operational controls:

- Are designed to manage risks and achieve objectives;
- Are operating in an efficient, effective, and ethical manner; and
- Assist management to improve performance of the OMAs/RCs.

#### 4.2 Vision of Public Sector Internal Audit in Namibia

According to the PSIAP, the vision for the Public Sector Internal Audit (PSIA) is to be a valued resource for continually improving financial, operational and control activities that aspires to be respected within and outside, for its exemplary professionalism in the discharge of its duties.

#### 4.3 Mission of Public Sector Internal Audit in Namibia

The Mission is, *"To enhance and protect organizational value by providing risk-based and objective assurance, advice and insight to management"*.

#### 4.4 Reporting Procedures

*At the DGIAPC Level*

The Head of the DGIAPC shall report administratively to the Accounting Officer and functionally to the Audit and Risk Committee.

*At the OMAs and RCs Levels*

At the OMAs, the Heads of IAU report functionally to their Ministerial Audit Committees and administratively to the Accounting Officer.

At the RCs, the Heads of IAU report functionally to the RCs Audit Committees and administratively to the relevant Chief Regional Officer (CRO).

#### 4.5 Responsibilities of the DGIAPC

The DGIAPC responsibilities include:

- Developing a strategic plan based on the purpose of the DGIAPC and on an objective understanding of the risks to which the OMAs are exposed and submit the plan for the endorsement of the Audit and Risk Committee.
- Developing an annual operational plan using a risk-based methodology to support the strategic plan. The annual plan will take into account concerns of the management, and risk assessments



- of the Ministry's activities carried out by the DGIAPC. The annual audit plan will include the areas to be reviewed, target completion dates, and allocation of resources.
- Implementing the plans, as approved by the Audit and Risk Committee, and completing other ad-hoc assignments as may be required - either on the initiative of the DGIAPC or at the request of the Audit and Risk Committee or Accounting Officer.
  - Develop, promote and monitor policies in the area of public sector internal audit; Develop and update the Regulatory Framework in the area of PSIA and harmonize it with best international practices.
  - Oversee the effective implementation of the Policy document.
  - Establish and ensure uniformity in the PSIA,
  - Facilitate the implementation of the standards in order to Professionalize Internal Audit.
  - Monitor and evaluate the quality of the internal audit unit activity at OMA's;
  - Assess adherence of PSIA to the international standards.
  - Coordinate and/or organize training of Internal Auditors from public sector;
  - Keep the internal audit manual updated;
  - Issue guidelines on the use of the internal audit manual;
  - Provide guidelines on establishing audit committees.
  - Carry out management request audits in collaboration with IAUs in OMAs & RCs
  - Assessing the reliability and integrity of financial and operating information.
  - Assessing the systems established to ensure compliance with policies, plans, procedures, laws and regulations.
  - Assessing the means of safeguarding and verifying the existence of assets.
  - Assessing 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.
  - Monitoring and evaluating the effectiveness of the Ministry's risk management system.
  - Maintaining a professional audit staff with sufficient knowledge, skills and experience to perform consulting services, beyond internal auditing's assurance services, to assist management in meeting its objectives. Examples may include facilitation, process design, training and advisory services.
  - Establishing effective co-operation with the Auditor General's office and other external stakeholders.
  - Ensuring that recommendations for improvement are implemented or that management understands and accepts the risks involved when no action is taken.

#### **4.6 Responsibilities of Heads of IAU in OMAs, RCs and LACs**

The OMAs, RCs and LACs Heads of IAU are responsible for administering the IAUs and managing their operations so that:

- Internal audit work fulfils the specific and general purposes and responsibilities approved by management and defined by the regulations;
- IAU resources are efficiently and effectively deployed; and
- Internal audit work conforms to the internal audit standards and the code of ethics.

The Head of the IAU establishes plans to carry out the IAU's responsibilities. These plans are subject to approval by the senior management of the OMAs, the CROs of RCs and the Audit Committees. The process of developing plans includes establishing goals, internal audit work schedules, staffing assignments, recruitment needs, financial and human resource budgets and progress reports against the respective plans.

All OMAs/ RCs/ LACs Heads of IAUs are specifically responsible for:

- Reporting to the DGIAPC on their activities and ensuring the quality assurance of all audit engagements is duly undertaken by the DGIAPC Quality Assurance teams;

- Managing and supervising the IAU staff and operations so as to use the resources of the IAU productively, cost effectively, and efficiently;
- Implementing the requirements of the regulations;
- Developing and submitting on time to the Senior Management of the OMAs, CROs of RCs and the Audit Committees for review and approval a strategic audit plan on the basis of a risk evaluation and an Annual Audit Plan;
- Organizing, performing and supervising internal audit activities and submitting the audit results to the Senior Management and Audit committee of the budget organization;
- Preparing and submitting quarterly and annual reports on all audit activities of the IAU to the Senior Management of OMAs, the CROs of RCs, and the relevant Audit Committees;
- Submitting to and sharing with the DGIAPC, no later than March 31st of each calendar year, the annual and internal audit strategic plans, after being approved by Accounting Officers, CROs and the Audit Committees;
- Implementing a quality assurance program covering internal and external assessment of the internal audit function and coordinating with the DGIAPC in ensuring that the QAIP is in line with the Government-wide QAIP;
- Reporting any indicators of fraud or corrupt activities to the OMAs and RCs Senior Management and Audit Committees;
- Ensuring there are sufficient resources for the internal audit function to perform its duties;

#### **4.7 Authority and Rights of Access of the PSIA**

All OMAs/ RCs/ LACs Internal Auditors in the performance of their duties shall have authority, on production of identification, to:

- Have free and unrestricted access to and ability to communicate and interact with the their respective OMAs, RCs and LACs Senior Management and Audit Committees;
- Have unrestricted access to all systems, functions, personnel, and records at all reasonable times to any government premises or property;
- Have access to all Information Technology hardware running systems on behalf of the government including hardware owned by third party service providers;
- Require and receive such explanations as are necessary concerning any matter under examination;
- Require any employee of government to produce cash, stores or any other government property under his/her control;
- Have full and free access from top management to the bottom;
- Obtain the necessary assistance from all staff in units where the audit is performed, as well as other specialised services from within or outside the entity.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.

Documents and information given to Internal Auditors during a periodic review will be handled in the same prudent and confidential manner as by those employees normally accountable for them



## 4.8 Internal Audit Scope and Universe

### **Audit Universe**

The entities within the scope of work of the OMAs and RCs IAUs include all the relevant Directorates, Departments, Units and projects in that OMAs or RCs.

### **Audit Scope**

The OMAs and RCs IAUs have the mandate to conduct;

#### **a) Assurance services**

These include:

- a) **Financial Audit:** To provide assurance on the correctness, entirety, legitimacy, and regularity of financial reports and transactions as well as the soundness of underlying internal controls and accounting records;
- b) **Compliance Audit:** To verify adherence to laws, regulations, policies, standards, and prescribed processes;
- c) **Performance or Operational Audit:** To assess the degree of economy, effectiveness, and efficiency of the entity, The emphasis here is on both the entity's inputs and outputs;
- d) **Systems Audit:** To evaluate the design and operation of systems including internal controls, financial controls, accounting systems, IT systems e.t.c;
- e) **IT Audit:** This involves the review of computer- based systems by assessing the likes of data security, disaster recovery, and effective use of resources;
- f) **Value for money Audit:** To provide assurance on the use of funds or resources against the intended objectives, purpose, vision and mission of projects and entities;
- g) **Forensic Audits:** This considers specific cases of suspected irregularities like fraud, embezzlement, or mismanagement of public funds.

#### **b) Advisory Services**

The IAUs also provide advisory services to assist management in meeting its objectives. Examples of such services include pre-disbursement reviews, training, due diligence reviews and research and analytics services and special review requests on issues facing the relevant OMAs or RCs that may support improvements in its risk management, internal controls and governance structures. The nature of services must be agreed with the relevant OMAs or RCs management.

## 4.9 Coordination of the DGIAPC with the OMAs, RCs and LACs IAUs

The DGIAPC works closely with the Heads of Internal Audit in the OMAs and RCs to ensure that there is uniformity in the way internal audits are being undertaken. The DGIAPC also coordinates the QAIP by working closely with the Heads of Internal Audit and undertake sample reviews of selected internal audit engagements to ascertain the level of conformance.

The DGIAPC administratively reports to the MFPE Accounting Officer and functionally to the Government Audit and Risk Committee and provides Secretariat support to it. The Government Audit Committee has oversight over all the OMAs, RCs and LACs Internal Audit Committees. On a quarterly basis, the Government Audit Committee will meet with each of the OMAs, RCs and LACs Audit Committees to discuss the key issues affecting the respective OMAs/ RCs/ LACs.



## **5. Relationships with stakeholders**

### **5.1 Introduction**

The DGIAPC and the OMAs /RCs/LACs IAUs have a number of key stakeholders. These stakeholders play a key role in the IAUs' ability to achieve their mandate as enshrined in their Internal Audit Charters. Based on this, it is therefore important that the OMAs/RCs/LACs Internal Auditors treat the stakeholders with respect, and also give them the opportunity to be heard.

Below are some of the key stakeholders of the internal audit:

### **5.2 Key stakeholders**

#### **5.2.1 Clients**

All the OMAs, RCs and LACs are clients of the IAUs. On an annual basis, after a risk assessment has been done, each OMAs/ RCs/LACs IAUs will come up with a Risk Based Audit Plan for the audit of identified high risk areas across the relevant OMAs or RCs.

The audits are also aimed at helping the various OMAs/ RCs/ LACs improve and further strengthen the efficiency and effectiveness of their internal controls, risk management and governance processes.

The management of the various OMAs/ RCs/LACs can also request the Internal Audit Units to conduct various advisory services as and when the need arises.

#### **5.2.2 The Minister of Finance and Public Enterprises, OMAs Ministers and Accounting Officers, CROs and Internal Audit Committees**

The DGIAPC has a responsibility of reporting to the Minister of Finance and Public Enterprises, the Accounting Officer and the Government Internal Audit Committee.

At the OMAs Level, the relevant Head of Internal Audit have a reporting responsibility to the OMAs Accounting Officer and Audit Committee. In the RCs, the Heads of Internal Audit report to the CROs and the RCs Audit Committees.

The DGIAPC has the responsibility of coordinating with the OMAs and RCs Heads of Internal Audit in consolidating reports for the use of the Government Audit and Risk Committee to which all OMAs and RCs Audit Committees report. This report highlights key issues found by the Internal Auditors, and the status of implementation of the audit recommendations by the relevant OMAs, RCs and LACs.

#### **5.2.3 The Office of the Auditor General (OAG)**

The Office of the Auditor General (OAG) is established by an Act as an autonomous institution. Auditors from the OAG may rely on the work done by the OMAs/RCs/LACs Internal Auditors across the various OMAs/ RCs and LACs with regard to the assessment of internal control systems, governance and risk management.

The OAG can also use the work of the OMAs/RCs Internal Auditors to obtain audit evidence for the audits being conducted by the OAG.

## **6. Domain IV: Managing the Internal Audit Function**

### **Principle 9 Plan Strategically Standard 9.1-9.5**

### **Principle 10 Manage Resources Standard 10.1 – 10.3**

#### **6.1 Introduction**

Planning strategically requires the Heads of Internal Audit to understand the internal audit mandate and the organization's governance, risk management, and control processes.

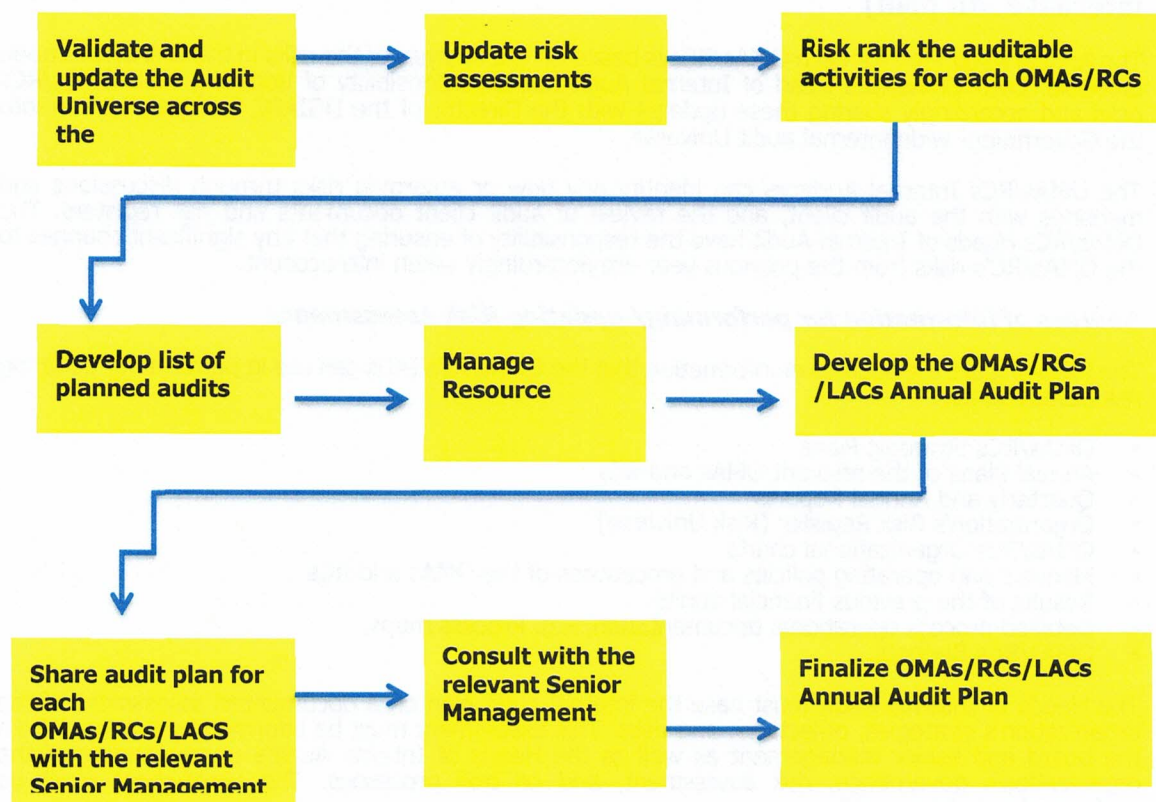
The Global Internal Audit standards requires the Heads of Internal Audit to create an internal audit plan that support the achievement of the OMAs/RCs' objectives. The OMAs/ RCs/LACs Internal Audit Annual Plan is based on a Risk-Based Approach. With a risk-based plan, the IAU is able to ensure that priority is given to those areas/activities within the various OMAs and RCs where the achievement of each OMAs/RCs/LACs objectives is at a high risk.

In coming up with its Annual Plan, the IAU consults with and gets input from the key stakeholders within the OMAs/ RCs. These stakeholders include the Ministers, Accounting Officers, CROs and Senior Management in each of the OMAs/ RCs.

This section highlights the key steps that the OMAs/RCs Internal Auditors follow in coming up with their annual audit plans.

#### **6.2 IAU Plan Development Process**

The following are the key steps followed by each OMAs/RCs IAU in its risk assessment and audit planning process:



### 6.3 Validation and updating of the Audit Universe for each OMA/RCs/LACs

Annually, each IAU is expected to validate and update its audit universe for its OMA/RCs/LACs. The IAU's audit universe includes all the potential areas that the IAU can audit within each of the OMA/RCs. These include all the Directorates, Departments, Units, Projects and Regional Offices of each OMA/RCs/LACs.

Each OMA/RCs Head of Internal Audit has to ensure that any new activities/programmes within their respective OMA/RCs are also included in the OMA/RCs/LACs audit universe.

The OMA/RCs Heads of Internal Audit also have the responsibility of ensuring that the audit universe in their OMA/RCs is up-to-date.

The Director of the DGIAPC will closely work with the Heads of Internal Audit in ensuring that the audit universes are duly validated and updated. As part of the ongoing monitoring, the DGIAPC will also periodically review the audit universes of selected OMA/RCs Internal Audit Units.

In the audit universe of each OMA/RCs, the following is some of the information that should be included for each audit area;

- Mandate, objectives and priorities of the audit area;
- Information on any major developments and initiatives that have been undertaken in the audit area;
- Key information received from interactions with the relevant sector staff handling/ involved in the audit area.



## 6.4 Risk Assessments (refer to the Practice Guide: Developing a risk-based internal audit plan)

The Annual Audit Plan for each OMAs/RCs is based on the analysis of the risks in the OMAs/RC's audit universe. Each OMAs/RCs Head of Internal Audit has a responsibility of updating their OMAs/RCs risks and accordingly sharing these updates with the Director of the DGIAPC for consolidation into the Government wide internal audit Universe.

The OMAs/RCs Internal Auditors can identify any new or emerging risks through discussions and meetings with the audit client, and the review of audit client documents and risk registers. The OMAs/RCs Heads of Internal Audit have the responsibility of ensuring that any significant changes to the OMAs/RC's risks from the previous year are accordingly taken into account.

### ***Sources of information for performing/ updating Risk Assessments***

The following are the sources of information that the OMAs/RCs IAUs can use in performing/ updating risk assessments:

- OMAs/RCs Strategic Plans
- Annual Plans of the relevant OMAs and RCs
- Quarterly and Annual Reports
- Organization's Risk Register (Risk Universe)
- OMAs/RCs Organizational charts
- Manuals and operating policies and procedures of the OMAs and RCs
- Results of the previous financial audits
- Detailed process operational documentation, e.g. Process maps,
- OMAs/RCs Budgets.

The Heads of Internal Audit must base the internal audit plan on a documented assessment of the organization's strategies, objectives, and risks. This assessment must be informed by the input from the board and senior management as well as the Heads of Internal Audit's understanding of the organization's governance, risk assessment, and control processes. The assessment must be performed at least annually.

The internal audit plan must:

- Consider the internal audit mandate and the full range of agreed-to internal audit services.
- Specify internal audit services that support the evaluation and improvement of the organization's governance, risk management, and control processes.
- Consider coverage of Information Technology governance, fraud risk, effectiveness of the organization compliance and ethics program, and other higher risk areas.
- Identify the necessary human, financial, and technological resources necessary to complete the plan.
- Be dynamic and updated timely in response to changes in the organization's business, risks, operations, systems, controls, and organizational culture.

### ***Fraud considerations when conducting risk assessments.***

During the annual risk assessment, the OMAs/RCs Heads of Internal Audit should consider the potential for occurrence of fraud. The Heads of Internal Audit also have to understand how the audit client in the various OMAs/RCs manage fraud risks.

The Heads of Internal Audit should identify specific fraud schemes and risks and assess their likelihood of occurring and the significance.

Some of the key risks addressed in fraud risk assessment include the risks of:

- Asset misappropriation.
- Illegal acts (including corruption)
- Fraudulent financial reporting
- Fraudulent non-financial reporting.

All collected information should be documented in the relevant OMAs/RCs Internal Audit Risk Assessment Templates.

## 6.5 Risk Ranking the Auditable Activities for each OMAs/RCs

Every year, as part of the annual planning, each OMAs/RCs IAU should analyze the auditable activities and processes within its OMAs/RCs.

Auditable activities/ processes can include any of the following.

- Activities of a Directorate/ Division within the OMAs/RCs
- A subject area. e.g., Procurement, logistics, recruitment.

The OMAs/RCs Heads of Internal Audit have the responsibility of identifying the auditable areas within their respective OMAs/RCs. Focus should be put on the activities or processes that can be susceptible to fraud. The Director of the DGIAPC has the responsibility of providing oversight and quality assurance for all internal audit activities across all the OMAs and RCs.

Once all auditable activities have been identified, the risk factors associated with these activities are analyzed in terms of their likelihood and impact. This process enables the OMAs/RCs IAUs to develop a risk score for each identified auditable activity.

From the risk scoring, the OMAs/RCs IAUs will then classify that OMAs/RCs auditable activities into any of the following three categories: **high, medium or low.**

## 6.6 Developing a list of Planned Audits for each OMAs/RCs

Each OMAs/RC's IAU uses the list of auditable activities to identify the highest risk areas within the respective OMAs/RCs. This process and the ability to decide on which areas to consider as high risk is based on the auditors' understanding of the internal controls and governance processes of the identified activities within the relevant OMAs/RCs. From this list of highest risk areas, the OMAs/RCs IAU conducts a resource gap assessment.

## 6.7 Manage Resources

To identify the resource gaps, each OMAs/RCs Head of Internal Audit should compare the available audit resources against the planned audits to be conducted in the coming year. The Heads of Internal Audit also have to take into consideration the experience and skills of the available auditors. This is important because the skills and experience determine the number of audits that can be conducted, the types of audits to be conducted as well as whether outside experts may be needed to support the auditors in some audit engagements.

If the analysis indicates that the OMAs/RCs IAU needs additional resources, a request for additional resources should be made by the OMAs Head of Internal Audit to the respective Accounting Officer or the CRO. The Accounting Officer/CRO will assess the needs and engage with the OMAs/RCs Head of Internal Audit. In the event that additional resources cannot readily be provided, the OMAs/RCs Head of Internal Audit should reduce the number of planned audits, so as to be able to fully maximize the use of the available auditors.

## 6.8 Developing the OMAs/RCs Annual Audit Plan

Each OMAs/RCs Head of Internal Audit is expected to submit a list of preliminary audits to be conducted. This list of proposed audits is based on the available audit resources within the OMAs/RCs Internal Audit Unit.

Each OMAs/RCs Annual Audit Plan should also include allocated time for planned reviews as well as advisory services. Advisory services are those audit engagements that may come directly from the various OMAs/RCs Ministers, Accounting Officers, CROs, Directors and Heads requesting the IAU to conduct certain reviews or assessments.

The OMAs/RCs IAUs can conduct advisory assignments (consulting services) that include advising the relevant OMAs/RCs management on:

- The design and implementation of new policies, processes, systems, and products;
- Providing forensic services;
- Providing training;



- Facilitating discussions about risks and controls.

In considering the request, the OMAs/RCs Head of Internal Audit has to take into account the available resources of the IAU, the identified risks of the activity, as well as any risk that this request may affect the independence of the auditors.

In conducting such assignments, the Internal Auditors should apply the Global Internal Audit standards on consulting engagements. For such engagements, the OMAs/RCs Head of Internal Audit should agree with the clients on the nature and scope of work to be done.

## **6.9 Submission of the Annual Audit Plans to the Ministers, Accounting Officers, CROs and Audit Committees**

Each OMAs/RCs Head of Internal Audit has the responsibility of submitting the OMAs/RCs Annual Audit Plan to the Accounting Officers, Audit Committees and CROs for review and approval.

The approved plans should be shared with the DGIAPC for consolidation and onward transmission to the Government Audit and Risk Committee (ARC).

## **6.10 Finalizing of the Audit Plan**

At the OMAs Level, the Accounting Officer and Audit & Risk Committee will approve the Internal Audit budgets and audit plans as part of the OMA's annual budget. At the RCs Level, the approval will be undertaken by the CRO and Audit & Risk Committee. At the DGIAPC, the approval will be done by the Accounting Officer of the MFPE Government ARC.

Once the resources have been allocated to the OMAs/RCs IAUs, the internal audit teams can then be able to commence with their activities as per the approved audit plans.

During the year, each OMAs/RCs Head of Internal Audit has the responsibility of scheduling and communicating timing of the planned audits to the audit client.

## **6.11 Sharing of Annual Audit Plans with the Key Directorates within each OMAs/RCs**

The OMAs/RCs Heads of Internal Audit should share their approved Annual Audit Plans with the key directorates of their OMAs/RCs that will be audited during the year. This enables the relevant directorate heads to know in advance the audit coverage and the planned audit timings. Any recommendations or any issues that the Heads of Directorates have about the plans should be addressed to the relevant OMAs/RCs Head of Internal Audit.

## **6.12 Changes to the OMAs/RCs Audit Plan**

During the year, the OMAs Heads of Internal Audit can adjust the audit plans based on any emerging risks identified. The planned timings of audits can also be adjusted.

The relevant Ministers, Accounting Officers, CROs and Senior management may also identify new risks during the year and may request the OMAs/RCs IAU to conduct certain audits or provide advisory services. On receipt of such requests, the OMAs/RCs Head of Internal Audit should assess the request against the planned audits. If the request is deemed more important, the planned audits can be halted, and the resources immediately diverted to the request.

Any changes to the originally approved Audit Plan have to be tracked and periodically reported to the respective Accounting Officers and Audit Committees or the CROs.



## 7. Domain V: Performing Internal Audit Services

### Principle 13 Plan Engagement Effectively

#### Standard 13.1 – 13.6

##### 7.1 Introduction

Engagement planning starts with understanding the initial expectations for the engagement and the reason the engagement was included in the internal audit plan. When planning engagements, internal auditors gather the information that enables them to understand the organization and the activity under review and to assess the risks relevant to the activity. The engagement risk assessment allows internal auditors to identify and prioritize the risks to determine the engagement objectives and scope. Internal auditors also identify criteria and resources needed to perform the engagement and develop an engagement work program, which describes the specific engagement steps to be performed.

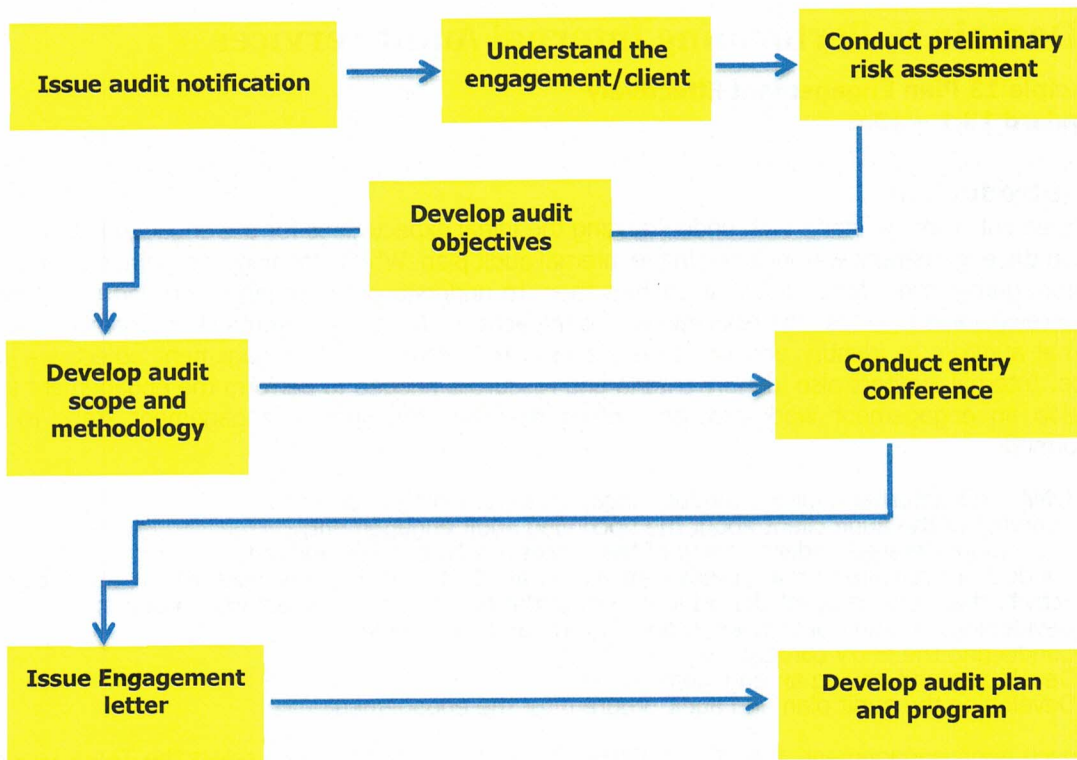
The OMAs/RCs Internal Auditors conduct engagement planning in order to;

- Notifying of the audit client about the upcoming audit engagement;
- Get a more detailed understanding of the process/ activity to be audited;
- Conduct a preliminary risk assessment aimed at identifying the key risks within the process/ activity that could prevent the achievement of the objectives of that activity/ process;
- Developing the audit objectives, scope, criteria and methodology;
- Conducting the entry conference;
- Developing and issuing an engagement letter
- Developing the audit plan and audit program for the engagement.

For each audit engagement, the OMAs/RCs Head of Internal Audit should select the Team Leader. The Team Leader will be in charge of executing of the audit engagement. Quality assurance will be provided by the DGIAPC based at the MFPE.

##### 7.2 The Engagement Planning Process

Below is an overview of the engagement planning process used by the OMAs/RCs Internal Auditors:





### 7.3 Issuing the audit notification

Issuing of the notification letter to the Head of the activity/ process to be audited is the first formal step of the OMAs/RCs internal audit planning process. The OMAs/RCs Head of Internal Audit or his designated representative Heads sign off the notification letters.

In the notification letter, the audit client is informed about the audit objectives, schedule as well as the audit team that will be conducting the audit.

A copy of the template is attached in ***Annex 1- Toolkit Two - Audit Notification Letter***

The OMAs/RCs Head of Internal Audit is also expected to alert the relevant Minister, Accounting Officer or the CRO about the upcoming audit. This is aimed at ensuring that there is better coordination and also ensures that top management support is received by the Internal Auditors.

### 7.4 Understanding the engagement/client

To get a better understanding of the area under review, the controls in place, the team should collect and analyze information about the area to be audited. This process will help ensure that the audit methodology developed for the engagement is relevant.

The Template used for this is attached in ***Annex 1- Toolkit Three: Understanding the engagement.***

#### ***Useful sources of information for the Audit Team***

To understand the audit client better, the following information can be used;

- OMAs/RCs Strategic Plans
- Annual Plans of the relevant OMAs and RCs
- Quarterly and Annual Reports
- Organization's Risk Register (Risk Universe)
- OMAs/RCs Organizational charts
- Manuals and operating policies and procedures of the OMAs and RCs
- Results of the previous financial audits
- Detailed process operational documentation, e.g. Process maps,
- OMAs/RCs Budgets.
- Namibian laws affecting the area under review;
- Data from the IFMS and other relevant management information systems within the Namibian Government.

### 7.5 Gathering of information

As part of engagement planning, internal auditors gather information about the area or process under review, such as its business objectives, the processes in place to achieve those objectives, the risks that could affect the achievement of those objectives, and the controls in place to mitigate those risks. Understanding the business objectives provides a basis for internal auditors to identify risks that should be included in the preliminary engagement-level risk assessment (as required by Standard 2210.A1). To gather information, internal auditors typically perform the following actions:

- Review prior assessments of the area or process under review.
- Understand and map the process flow and controls in the area or process under review.
- Interview relevant stakeholders.
- Brainstorm potential risk scenarios.

#### 7.5.1 Review prior assessments

Some information about the area or process under review may be gathered from organizational documents. Recently completed relevant engagement assessments and reports may contain information that internal auditors can incorporate into the plan.

*Work papers from Previous Audit Engagements* – Internal auditors review work papers from recent internal audit engagements of the area or process under review to gather information about the processes and controls that were in place during the last review. Reviewing previous work papers also enables internal auditors to inquire about any corrective actions taken by management to address previous internal audit observations.

*Organizational Risk Assessment* – Internal auditors review the risk priorities that the organization has identified to determine whether any of those risks should be included in the current engagement.

*Fraud Risk Assessments and Documents Related to Fraud Allegations and Investigations* – Internal auditors should communicate with those in the organization responsible for managing fraud risks, allegations, and occurrences (e.g., legal, human resources, fraud risk management). In addition to discussing fraud occurrences or investigated allegations in the area or process under review, internal auditors should review relevant documentation to understand the facts from the allegation or investigation and the outcomes. Internal auditors may limit research to a reasonable timeframe for confirmed occurrences of fraud and for allegations that were investigated but not substantiated.

Depending on the nature and scope of the audit, the OMAs/RCs Internal Auditors should determine the probability and impact of typical fraud schemes and scenarios as well as the adequacy of preventive and detective controls when performing the activity-level risk assessment.

The audit team should also design and perform audit procedures to test the effectiveness of relevant controls. When the circumstances warrant, the audit team should design and conduct effective procedures to detect red flags of potential fraud. The performance of such procedures and the conclusions reached should be documented in the working papers.

If at any time during the audit, it becomes apparent to any member of the audit team that fraud or misconduct may have occurred, it should be brought to the immediate attention of the Audit Team Leader, who should in turn immediately inform the OMAs/RCs Head of Internal Audit.

The OMAs/RCs Head of Internal Audit will determine whether the issue needs to be further escalated to the relevant Accounting Officer or the CRO for further investigation. The Head of Internal Audit can also decide to bring the issue formally to the attention of the client in the form of an interim written communication and/or expand the scope of the audit.

A database of all fraud related referrals should be kept and regularly updated.

*Reports by Other Assurance and Consulting Service Providers* – Internal auditors may be able to rely on work performed by other internal and external assurance and consulting service providers, rather than duplicating effort. Internal auditors' ability to rely on others' work is dependent on whether the internal auditors are satisfied that the service provider is sufficiently independent and competent, and the work performed is relevant and reliable.

Providers of assurance and consulting services may include personnel responsible for risk management, compliance, environmental health and safety, IT, ethics, legal, security, quality, and more. Service providers may be also included external entities such as external auditors or other contracted third parties. Internal auditors may meet with other assurance and consulting service providers to review and discuss reports and/or similar documentation of work performed in the area or process under review. Standard 2050 – Coordination and Reliance provides additional information about collaborating with other assurance and consulting service providers.

## **7.5.2 Understanding and Mapping the Process Flows and Controls**

To identify the risks that could affect the achievement of business objectives, internal auditors must obtain an understanding of the area or process under review. A high-level process map, which depicts



the broad inputs and outputs (e.g., activities, workflow, and processing of critical information), may be helpful. Internal auditors may create a process map or refer to one that has already been documented, if they can verify that it is accurate and current.

Process maps enable internal auditors to identify and better understand:

- The systems and information that should be considered when determining the engagement objectives and scope, interdependencies, and where critical information resides (e.g., one system or multiple systems)
- How critical information is used in the area or process under review, which information is relevant to the engagement, and how it will be evaluated during the assessment (e.g., standard testing, data analytics, and key performance metrics).
- Who has the ability to access critical information?
- Points in the process where effective controls may be missing or designed inadequately, or where there may be opportunities for process improvements.

Some of the information needed to populate the process map may be gathered from organizational documents, such as employee handbooks, manuals, and/or intranet websites that include policies and procedures. For example, the vision, mission, business objectives, and strategies relevant to the area under review are often documented. However, these may also be gathered during the interviews with management.

The OMAs/RCs Internal Auditors are expected to show their understanding of the area to be audited, by documenting the process. The auditors should ensure that they clearly document the key steps in the processes. The process flow documentation is important because it will facilitate the supervisory review of the working papers.

Documenting can be done using:

- a) *Flow Charts* - Here, the auditor uses symbols to capture the process flow of the system under review;
- b) *Narrative descriptions*- This is where the auditor systematically notes down the process of the system being reviewed.

Documenting of a process enables the auditors to get a better understanding of the area under review. This also helps the auditor to get a better feel on the adequacy of the process design.

### 7.5.3 Interviewing relevant Stakeholders

Interviewing relevant stakeholders is a critical step that helps internal auditors better understand the objectives, design, operations, and control environment of the area or process under review. Often, organizational charts can assist internal auditors in identifying relevant stakeholders.

Open-ended questions encourage valuable dialogue between internal auditors and stakeholders, as they require stakeholders to elaborate, prompting additional inquiry opportunities. Internal auditors commonly interview stakeholders such as personnel who perform the steps in process, management, IT, personnel, legal counsel, compliance officers, contracted third parties, and others.

*Personnel Who Perform the Steps in a Process* – Insights may be gained through interviews with personnel at all levels of the process because they are likely to provide unique information about how the process actually works, not just the way it was designed to operate. Such information can be especially valuable for identifying fraud risk because it is the personnel responsible for performing the tasks in a process often have the best understanding of the controls and how those controls could be circumvented or overridden.



*Management* – Managers responsible for the area or process under review may provide the best overview of the way the process was designed to operate. Process information may be documented in the form of policies, procedures and self-assessment. Additionally, existing documentation may describe the area's business objectives and key performance indicators (i.e., metrics that define whether objectives are being achieved), including how they support organizational objectives. Interviews with management may help internal auditors identify whether management's understanding of the steps in each process differs from that of the personnel who perform the steps. These interviews may also help internal auditors identify the criteria to be applied when evaluating the governance, risk management, and control of the area or process under review, as required for assurance engagements (Standard 2210.A3)

*IT Personnel* – Because IT and information security risks are critical, internal auditors should learn as much as possible about potential risks involving IT. Interviewing relevant stakeholders in IT processes that affect the area or process under review will ensure all applicable systems are considered and may reveal points where controls might be missing, inadequate, or circumvented.

*Legal Counsel and Compliance Officers* – many areas and processes are subject to legal and regulatory compliance. Therefore, internal auditors may choose to meet with legal counsel and risk managers to solicit information received through whistleblower programs as well as information regarding unusual events and litigation (past and current) relevant to the engagement. Interviewing compliance officers, or others responsible for operating the systems of control, may provide insight on how effectively compliance with existing policies and procedures satisfies laws and regulations. Relevant laws and Regulations may comprise part of the criteria that will be used to evaluate whether the area is accomplishing its business objectives (Standard 2210. A3).

*Other Stakeholders* – internal auditors may interview or survey customers or other business areas that deal with the area or process under review to understand past and current issues that could indicate potential risks.

#### 7.5.4 Brainstorming potential risk scenarios

Internal auditors may brainstorm with individual personnel or in selected groups or task forces. During brainstorming sessions, to identify relevant risks, auditors may ask "What would keep the business objectives from being met?" Additionally, to identify inherent risks, internal auditors may ask "What could go wrong if no controls were in place?"

Due to the significance of fraud risks, Standard 2210. A2 specifically requires that fraud be taken into account when assurance engagement objectives are developed. Brainstorming fraud risk scenarios is specifically useful because it gives internal auditors a variety of perspectives from which to consider incentives or pressures that could lead to fraud (i.e. control weaknesses) and ways that management and others could override and/or circumvent controls.

#### 7.5.5 Documenting gathered information

By diligently documenting the information gathered during engagement planning, internal auditors can evaluate the data collected to gain perspective on the following:

- Objectives of the area under review
- Strategies used to achieve those objectives
- Risks to achieving those objectives
- Processes and key controls
- IT and other systems relevant to the area or process under review
- Sources and reliability of data into and out of the area or process under review



Obtaining a thorough understanding of the organization and the area or process under review enables internal auditors to conduct a preliminary assessment of the relevant risks, as required by Standard 2210.1A.

### 7.5.6 Performing a Walk through test

A walk-through test is used by an auditor to follow each step in a transaction. During a walkthrough test we take one transaction for the process under review and follow it from start to end. For instance, if reviewing a new employee process, you will select one employee and follow them from the moment they were handed an Appointment letter, through to the moment they were created in the payroll system and subsequently paid.

Using our example of the new employee, the audit team will sit next to the relevant audit client responsible for each step in the process and either watch them perform or re-perform the process for creating and issuing the Appointment letter for the individual the audit team have selected for the walk through. Once the process is completed, the audit team will move to the next audit client. Using the same sample / new employee, the audit team will then ask the next person how they create the employee in the HR system.

Throughout the entire walkthrough, it is important the audit team obtain relevant screenshots, copies of supporting information and any policy or procedure documents which govern the recruitment process.

It is important that the audit team only use one example for the end to end process and not a number of transactions / examples to make up the process. Process flows are a great way to document a process in a simple and easy to understand method. Process flows also allow the audit team to map risks, controls and any control gaps along the process.

The intent behind this test is to determine the reliability of a system, and whether there are any issues that should be brought to the attention of management. A walk-through test will only work if the documented procedure in which it is based is up-to-date.

Performing walkthroughs for the end to end process allows the audit team to effectively identify any controls, risks, or improvement opportunities. It also allows the audit team to perform a detailed risk assessment which will ultimately help inform our audit scope and objectives.

It is important to understand why the audit team is doing a walkthrough. A walkthrough is done to:

- Understand the process;
- Identify controls;
- Ensure controls have been designed and implemented appropriately;
- Identify risks; and
- Aid in performing our risk assessment.

As the audit team perform the walkthrough, the team will be assessing the following:

- Are the controls designed appropriately to either prevent or detect any errors, omissions or fraud?
- Have the controls been sufficiently implemented?
- Is there appropriate segregation of duties?
- Do the people performing the task have the appropriate skills and experience?
- Are the controls manual or automated?
- Are there any gaps in current controls?
- Is the process aligned to the documented procedure or policy?
- Is the control corresponding with the level of risk?
- Is there an opportunity to streamline the process and maintain the current level of risk?

These considerations can be documented in either the meeting minutes or process flows. It is important that these questions and the answers be documented as this all forms part of the risk assessment and will help feed into the audit scope and objectives.

At the end of the walkthrough activity, the audit team should have a solid idea of where the risks lie.



## 7.6 Conducting preliminary risk assessment.

Having obtained a good understanding of the area under audit, the Audit Team are expected to conduct a preliminary risk assessment to identify the risks within the documented process that may affect the achievement of the objectives of the area under review.

The Audit Team is required to get a better understanding and to conduct a high-level assessment of the adequacy of the internal controls in managing the identified risks in the area under review. This is done by conducting walk through exercises and limited test checks.

In conducting the preliminary risk assessment, the following are done by the audit team;

- Identifying the risks and controls: risk and control matrix
- Prioritizing risks: heat map

### ❖ Identifying the risks and controls: risk and control matrix

- The risk and control matrix is populated with the information gathered throughout the engagement planning process.
- An example of how a risk and control matrix could be completed for Accounts payable assurance engagement. The format of a risk and control matrix may vary.

**Figure 1 below depicts a Risk and Control Matrix for Accounts payable**

Business objective	REF	Inherent Risk	Risk assessment			Control	Automation: Manual / System	Criticality: key / non-key	Type: Preventative/Detective/Corrective	Adequacy  Adequate / Needs Improvements / Inadequate
			Impact	Likelihood	Overall					
A. Personnel expenses are appropriate and authorized	A1	Corporate cards are issued inappropriately, resulting in fraudulent expenses	2 Medium	2 Medium	2 Medium	Duties are segregated				
	A2	Personnel are not provided guidance on corporate card usage and expense policies, resulting in inappropriate expenses	1 Low	2 Medium	1 Low	Expense policy is communicated to personnel authorized to incur organizational expenses				



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	<b>A3</b>	Expense reports are not submitted/reviewed timely, resulting in inappropriate expenses	3 High	3 High	3 High	No control is in place				
	<b>A4</b>	Expense reports with receipts are not reviewed and approved by appropriate personnel, resulting in inappropriate expenses	3 High	2 Medium	3 High	Approvals are based on management hierarchy. Expense reports cannot be submitted until a manager approves them. Expense team conducts monthly reviews.				
B. Operating Expenses are appropriate and authorized	<b>B1</b>	Fictitious vendors are set up in the system, resulting in fraudulent expenses	3 High	1 Low	3 High	Duties are segregated				
	<b>B2</b>	Vendors submit inaccurate, duplicate, or fictitious invoices that are not reviewed and approved by appropriate personnel	3 High	2 Medium	3 High	Invoice approval is based on expense authorization limits				
	<b>B3</b>	Expenses are not approved before committed to, resulting in inappropriate expenses.	2 Medium	1 Low	1 Low	No control is in place				
C. Payments are accurate and timely	<b>C1</b>	Payments are made after the due date, resulting in interest and penalties	1 Low	2 Medium	1 Low	No control is in place				
	<b>C2</b>	Discounts are not realized due to payments made after the discount date.	1 Low	3 High	3 High	No control is in place				

**The following information will be included on the Risk and Control Matrix:**

- *Business Objective* – Each objective of the area under review (as determined during the information-gathering step)
- *Inherent Risk* – Individual inherent risks to achieving the business objectives.
- *Impact* – The degree to which each identified inherent risk could affect achievement of the business objective (i.e., What level of impact, or consequence, to the organisation or area would this risk have if it were to occur?).

- *Likelihood* – The probability and frequency of the occurrence of each identified inherent risk, commonly in terms of high, medium, or low (i.e., How likely is it that the risk would occur if no controls were in place to mitigate the risk?).
- *Control* – The controls intended to mitigate each risk, which were identified during the information-gathering step. Internal auditors may add columns to the risk and control matrix to categorize the controls in terms of:
  - *Criticality* – Key or nonkey
  - *Type* – Preventative or detective.
  - *Automation* – Manual, systematic, or semi-automated
  - *Frequency* – Annually, quarterly, monthly, weekly, daily, or per transaction.

### ❖ Prioritizing Risks: Heat Map

- A heat map Is basic graph that internal auditors can create to visually represent the combined significance of the risk ratings from the risk and control matrix.
- The combined significance may be shown by plotting the risks impact along one axis and likelihood along the other axis.
- The alphanumeric character representing each risk is placed on the heat map where the plotted impact and likelihood intersect.

<b>Red</b>	<i>Denotes the highest priorities</i>
<b>Orange</b>	<i>Denotes the risks that are significant enough to warrant consideration</i>
<b>Yellow</b>	<i>Denotes risks that are not a significant threat to the achievement of business objectives</i>

**Figure 2 below depicts a Heat Map**

<b>LIKELIHOOD</b>	<b>HIGH</b>	C.2		A.3
	<b>MEDIUM</b>	A.2 C.1	A.1	A.4 B.2
	<b>LOW</b>		B.3	B.1
		<b>LOW</b>	<b>MEDIUM</b>	<b>HIGH</b>
<b>IMPACT</b>				



Once the heat map has been created, internal auditors can easily identify the significant risks that need to be included when forming an engagement objective (i.e, the risks that fall into the red and orange areas of the heat map).

Figure 3 below depicts the most significant risks based on their impact and likelihood.

Business Objective	Inherent Risk	Impact (L,M,H)	Likelihood (L,M,H)	Control
A. Personnel expenses are appropriate and authorized	A.3 Expense reports are not submitted/reviewed timely, resulting in inappropriate expenses.	H	H	No control is in place
A. Personnel expenses are appropriate and authorized	A.4 Expense reports with receipts are not reviewed and approved by appropriate personnel, resulting in inappropriate expenses.	H	M	Approvals are based on management hierarchy. Expense reports cannot be submitted until a manager approves them. Expense team conducts monthly reviews.
B. Operating Expenses are appropriate and authorized	B.2 Vendors submit inaccurate, duplicate, or fictitious invoices that are not reviewed and approved by appropriate personnel.	H	M	Invoice approval is based on expense authorization limits
B. Operating Expenses are appropriate and authorized	B.1 Fictitious vendors are set up in the system, resulting in fraudulent expenses.	H	L	Duties are segregated
A. Personnel expenses are appropriate and authorized	A.1 Corporate cards are issued inappropriately, resulting in fraudulent expenses.	M	M	Duties are segregated
C. Payments are accurate and timely	C.2 Discounts are not realized due to payments made after the discount date.	L	H	No control is in place



## 7.7 Developing Engagement Objectives and Scope

Audit objectives are broad statements that define intended results. The engagement objectives must articulate the purpose of the engagement and describe specific goals to be achieved, including those mandated by laws and/or regulations.

The audit objectives can include one or more of the following:

- a. Reliability and integrity of financial and operational information.
- b. Effectiveness and efficiency of OMAs/RCs operations and programs.
- c. Safeguarding of OMAs/RCs assets.
- d. Compliance with laws and/or regulations.

The scope must establish the engagement's focus and boundaries by specifying the activities, locations, processes, systems, components, time period to be covered in the engagement, and other elements to be reviewed, and be sufficient to achieve the engagement objectives.

Audit scope may also include but is not limited to the following:

- The geographic locations to be considered for the audit.
- The time period.
- The major processes to be covered.

It is the responsibility of the Engagement Audit Team to develop the audit objectives that are aligned with the business objectives of the area or process under review as well as with those of the organization. Properly defining engagement objectives and scope before the engagement starts enables internal auditors to:

- Focus efforts on the risks relevant to the activity under review based on the results of the engagement risk assessment.
- Develop the engagement work program.
- Avoid duplicating efforts or performing work that does not add value.
- Determine the engagement timeline.
- Allocate appropriate and sufficient resources to complete the engagement.
- Communicate clearly with management and the board.

The OMAs Head of Internal Audit should also update the audit engagement team on the reasons as to why the area being audited was included in the OMAs/RCs Annual Audit Plan. This in turn helps the team to get a better appreciation of the key risks and importance of the area under review.

## 7.8 Evaluation Criteria

According to the Global Internal Audit Standards, "internal auditors must identify the most relevant criteria to be used to evaluate the aspects of the activity under review defined in the engagement objectives and scope". Internal Auditors must ascertain the extent to which management has established adequate criteria to determine whether the set objectives have been accomplished. If adequate, Internal Auditors must use such criteria in their evaluation. If inadequate, Internal Auditors must identify appropriate evaluation criteria through discussion with the management or the relevant people handling the area under review.

The selected audit criteria should be reliable, objective, useful, and should provide complete standards of performance against which the achievement of control objectives can be assessed. Effective audit criteria are relevant, unambiguous and acceptable.

Examples of adequate criteria include:

- Internal (policies, procedures, key performance indicators, or targets for the activity)
- External (laws, regulations, and contractual obligations)
- Authoritative practices (frameworks, standards, guidance, and benchmarks specific to an industry, activity, or profession)
- Established organizational practices.
- Expectations based on the design of control.
- Procedures that may not be formally documented.



## 7.9 Engagement Resources

When planning an engagement, internal auditors must identify the types and quantity of resources necessary to achieve the engagement objectives.

Internal auditors must consider:

- The nature and complexity of the engagement
- The timeframe within which the engagement is to be completed
- Whether the available financial, human, and technological resources are appropriate and sufficient to achieve the engagement objectives.

For each audit engagement, the Audit Team should develop and document an audit plan.

This audit plan;

- Shows the timing schedule of the various aspects of the audit estimated target dates for planning, field work, reporting and audit closure;
- Shows the audit resources to be used for the audit.

The Template for this is in **Annex 1- Toolkit Four – Project Plan.**

## 7.10 Conducting the Entry Conference

Entrance meetings are held prior to commencing testing of the relevant area under audit. The Audit Engagement team holds meetings with the management teams that are directly responsible for the programs, activities or processes to be audited.

The entrance meeting with management is very important. It sets the tone for the entire audit and provides the opportunity to establish the proper atmosphere and to begin building effective working relationships.

At the opening meeting the OMAs/RCs Internal Auditors should:

- Explain the role of internal audit (only if it is the first time an audit has been done), and to emphasize that the main objective is to provide constructive help and advice to the management
- Discuss and agree the scope and objectives of the audit – making it clear that you welcome any questions and also the views and suggestions of management
- Ask for the views of management on any problems, which may exist in the activities which fall within the scope of the audit. This helps to demonstrate that you welcome their input and that you are not just looking to be critical of what they are doing
- Discuss the timing of the audit – and any difficulties, which could arise from it (e.g. the absence of key personnel, new systems development etc.). You need to beware of the danger of management raising timing difficulties as a way of having the audit postponed.
- Establish the main people you need to see at the start of the audit. It is also important to agree with management that you can make direct contact with staff, rather than clearing all meetings etc. with the line manager
- Set out the procedures that will be adopted for:
  - o Confirming audit findings;
  - o Discussing the draft report;
  - o Issuing the previous and the final report.
- Explain that all information will be treated in confidence.
- Establish the normal working hours of staff in the department, where they are located (particularly if some work is done outside of the OMAs/RCs offices) and any other office routines – to make it easier to arrange meetings, locate people etc
- Make it clear that you will need access to all relevant files and documents
- Ask for the use of an office/desk during the course of the audit – if necessary.

A well-conducted entrance meeting can ensure that the audit is conducted in a friendly and positive atmosphere. It can make the difference between active cooperation and open hostility.

A record of the opening meeting should be made and filed on the current audit file. The Template for this is in **Annex 1- Toolkit Five - Inception Meeting Minutes.**

An agenda should be sent to the client ahead of the scheduled date of the entrance conference. The agenda may include the following:

- o Background to the selection of the area being audited;

- Risk assessment and status of previous audit recommendations;
- Preliminary audit objectives and scope;
- Audit methodology and criteria;
- Planned timings, milestones, and deliverables of the different audit phases.

### 7.11 Developing and issuing the Engagement Letter

After the entrance conference, the Audit Team should prepare an Engagement letter for the audit. The purpose of the engagement letter is to provide the management of the area being audited, with an accurate picture of the audit.

The Engagement letter is based on the Audit Plan and on the information from the entrance conference. The Engagement letter represent the IAUs commitment to deliver on the audit engagement.

The OMAs/RCs Head of Internal Audit should review and sign off the Engagement letter before being forwarded to the client management.

A copy of the Engagement Letter Template is attached in **Annex 1- Toolkit six: Engagement Letter**

### 7.12 Develop Work Program

Internal Auditors must develop an engagement program to achieve engagement objectives.

The engagement work program must identify:

1. Criteria to be used to evaluate each objective
2. Tasks to achieve the engagement objectives
3. Methodology including analytical procedures to be used, and tools to perform the tasks.
4. Internal auditors assigned to perform each tasks

The Head of IAU must review and approve the engagement work program before it is implemented and promptly when subsequent changes are made.

The Audit Team should finalize the Audit Plan and program after holding the entrance meeting with the client. The OMAs/RCs Head of Internal Audit should ensure that adequate quality assurance is done during the planning phase of the engagement.

As part of the DGIAPC's continuous monitoring of quality assurance, the DGIAPC teams will select samples of audit engagements and ascertain whether the planning was undertaken as per the expected standards and manual requirements.

A copy of the Engagement Work Program Template is attached in **Annex 1- Toolkit Seven: Engagement Work Program**



## 8. Principle 14 Conduct Engagement Work

Standard 14.1 – 14.6

### 8.1 Introduction

Conducting of the audit engagement is done during the fieldwork phase of the audit. The audit fieldwork involves executing the developed audit plan and the audit program.

During the fieldwork phase, the following are the key activities that the OMAs/RCs Internal Auditors have to undertake;

- Gathering information for analyses and evaluation
- Analyses and Potential Engagement Findings
- Evaluation of Findings
- Recommendations and Action Plans
- Engagement Conclusions
- Engagement Documentation

The audit fieldwork ends after the audit team has held the exit conference with the audit client.

### 8.2 Gathering information for analyses and evaluation.

Procedures to gather information for analyses might include:

- Interviewing or surveying individual involved in the activity.
- Directly observing a process also known as performing a walkthrough.
- Obtaining confirmation or verification of information from an individual who is independent of the activity under review.
- Inspecting or examining physical evidence such as documentation, inventory, or equipment
- Directly accessing organizational systems to observe or extract data.
- Working with system users and administrators to obtain data.

When gathering information internal auditors should consider whether to test a complete data population or a representative sample. If internal auditors choose to select sample, they should apply methods to ensure that the sample is as representative of the entire population.

Where testing the whole population is not feasible, the auditor must review a sample of the population. IIA Practice Advisory 2320-3 defines audit sampling as *"the application of audit procedures to less than 100 per cent of items within a class of transactions or account balance such that all sampling units have a chance of selection"*. Population is defined as the entire set of data from which a sample is selected and about which the auditor wishes to draw conclusions.

Audit sampling can use either a statistical or a non-statistical approach. Statistical sampling involves determining the sample size objectively, selecting the samples from the population randomly and evaluating the sample results mathematically to draw conclusion about the population. Statistical sampling approach must be used if the auditor wishes to extrapolate sample results to draw conclusion about the entire population. On the other hand, non-statistical sampling approach relies solely on the auditor's professional judgment, and the auditor uses his or her own experience and knowledge to determine the sample size and the method for selecting the samples from the population. Non-statistical sampling (e.g. judgmental samples) may not be objective and the results of such sampling normally pertain only to the sampled items and cannot be mathematically extrapolated over the population.

Effective audit sampling procedures will increase the coverage, focus, and efficiency of audits and statistical sampling will allow the auditor to provide assurance on processes that impact the OMAs/RCs achievement of its objectives.

### 8.3 Analyses and Potential Engagement Findings

OMAs/RCs Internal Auditors must base their conclusions and audit engagement results on appropriate analyses and evaluations.

Internal Auditors must analyze relevant, reliable and sufficient information to develop potential engagement findings. For Advisory services, gathering evidence to develop findings may not be necessary, depending on the agreement with relevant stakeholders.

Internal auditors must analyze information to determine whether there is a difference between the evaluation criteria and the existing state of the activity under review, known as the condition”.

#### 8.3.1 Analytical procedures

OMAs/RCs Internal Auditors can also use analytical procedures to obtain audit evidence. Analytical procedures involve studying and comparing relationships among both financial and non-financial information.

The application of analytical procedures is based on the assumption that, in the absence of known conditions to the contrary, relationships among information may reasonably be expected to exist and continue. Examples of contrary conditions include unusual or non-recurring transactions or events; accounting, organizational, operational, environmental and technological changes; inefficiencies; ineffectiveness; errors; fraud; or illegal acts.

Analytical procedures often provide the auditor with an efficient and effective means of obtaining evidence. The assessment results from comparing information with expectations identified or developed by the auditor.

When analytical audit procedures identify unexpected results or relationships, the auditor evaluates such results or relationships. This evaluation includes determining whether the difference from expectations could be a result of fraud, error, or a change in conditions. The auditor should ask client management about the reasons for the difference and obtain corroborating evidence.

Unexplained results or relationships from applying analytical procedures may be indicative of a significant problem (e.g., a potential error, fraud, or illegal act). If the results indicate the possibility of a fraud or misconduct, this should be brought to the immediate attention of the Head of IAU, as explained in Paragraph 7.5.1 Review prior assessment of this Manual.

### 8.4 Evaluation of Findings

Internal Auditors must evaluate each potential engagement finding to determine its significance. When evaluating potential engagement findings, internal auditors must collaborate with management to identify the root causes, when possible, determine the potential effects, and evaluate the significance of the issue.

To determine the significance of the risk, internal auditors must consider the likelihood of the risk occurring and the impact the risk may have on the organization's governance, risk management, or control processes.

If internal auditors determine that the organization is exposed to a significant risk, it must be documented and communicated as a finding.

In evaluating the results of the audit testing, the OMA/RCs Internal Auditors aim at determining whether:

- The objectives of key controls have or have not been met;
- The criteria have or have not been satisfied; and
- The risks are adequately managed.

When doing control analysis, the key objective of the auditors is: to produce a report incorporating the following elements in relation to each audit criteria:



- **Criteria:** The "what should be". The standard used to assess compliance, efficiency, effectiveness, etc.;
- **Condition:** The "what is". What the audit activities identified in relation to the criteria; and
- **Conclusion:** The auditor's assessment that the criterion has been met, or that there is a gap between the criterion and the condition.

For those criteria that the auditor concludes as not met, the auditor has to further give the following information:

- **Cause:** The "**why?**". The reason why there is a gap between the criterion and the condition;
- **Consequence:** The "**so what?**". The actual or potential negative impact of the criterion not being met; and
- **Corrective action:** The "**recommendation**". The action that will deal with the problem and ensure that the criteria and the condition are in alignment.

#### 8.4.1 Root cause analysis

In root cause analysis, the focus is on identifying why an issue occurred (versus only identifying or reporting on the issue itself). In this context, an issue is defined as a problem, error, instance of non-compliance, or missed opportunity. Examples of audit issues include ineffective operations, misuse of resources, inadequate safeguarding of assets and exceeding the delegated authority.

The key benefit of root cause analysis is that it identifies the underlying cause(s) of an issue. As a result, the recommendations would aim at improving the business processes in the long term.

Without the performance of an effective root cause analysis and the appropriate remedial activities, an issue may have a higher probability to reoccur. It should however be noted that there can at times be multiple related or unrelated causes of an issue.

In certain circumstances, root cause analysis may be as simple as asking "five whys." For example: *The Procurement Division received a limited number of responses to a solicitation exercise.*

- *Why?* Limited number of vendors was invited to participate in the solicitation.
- *Why?* Only few new vendors were added to the vendor roster in the recent period.
- *Why?* Vendor registration process was lengthy and cumbersome.
- *Why?* Management did not establish targets and timelines for the vendor registration process and did not monitor the process against these timelines.
- By the fifth "why," the auditor should have identified or be close to identifying the true root cause.

More complex issues, however, may require a greater investment of resources and more rigorous analysis. The resources spent on root cause analysis should be commensurate with the impact of the issue or potential future issues and risks. Auditors may not have all the skill sets necessary to conduct the specific root cause analysis under consideration. When the anticipated time commitment or necessary skill levels exceed what is available within the IAU, the Audit Team should develop recommendations that address the underlying issue and, as appropriate, include a recommendation for management to conduct a root cause analysis.

#### 8.5 Recommendations and Action Plans

Internal Auditors must determine whether to develop recommendations, request action plans from management, or collaborate with management to agree on actions to:

- Resolve the differences between the established criteria and existing condition.
- Mitigate identified risk to unacceptable level.
- Address the root cause of the finding.

- Enhance or improve the activity under review.

When developing recommendations, internal auditors must discuss the recommendations with management of the activity under review.

If internal auditors and management disagree about the engagement recommendations and/or action plans, internal auditors must follow an established methodology to allow both parties to express their positions and rationale and to determine a solution.

### 8.5.1 Detailed Audit Results (DAR)/Validation Report

This is used by the OMAs/RCs IAUs to communicate engagement observations to program managers at the operational level. The Audit Team is responsible for preparing DAR, which is a detailed document that combines both positive results and deficiencies in controls, determined against key operational and control objectives of the activities, processes or unit under review, including the cause and impact of reported deficiencies, if any, on achievement of such objectives.

The above should address the audit objective. The DAR should request the client to provide comments **within a maximum of 10 working days** from issuance date.

The body of DAR includes the following elements:

- Detailed discussion of the audit results; and
- Recommendations for addressing issues identified (also itemized in an annex to DAR)

For each audit result discussed in the DAR, the auditor must have actively considered the following elements of the audit logic process:

- **Criteria:** The standards, measures, or expectations used in making an evaluation and/or verification (the correct state);
- **Condition:** The factual evidence that the internal auditor found in the course of the examination (the current state);
- **Cause:** The reason for the difference between the expected and actual conditions;
- **Consequence:** The risk or exposure the organization and/or others encounter because the condition is not consistent with the criteria (the impact of the differences); and
- **Corrective action:** The recommended action the auditor is suggesting to address the root cause of the condition. It should stand-alone, be specific, clear and concise, action-oriented, and doable.
- **Responsible person** and **planned date** by which the action should be completed.

The template for Recording of Audit findings is attached in **Annex 1- Toolkit Eight: Recording Audit Findings in the Validation report.**

### 8.5.2 Exit conference

The exit conference is organized by the OMAs/RCs Head of Internal Audit and the Audit Team Leader and held with the relevant OMAs/RCs senior management of the area being audited, at the end of the fieldwork. The aim of the exit conference is to advise the client/ audited on the audit observations and overall audit results.

The following are key objectives of conducting an exit conference;

- To inform the client of the audit results and whether the criteria have been met;
- To agree on the findings and recommendations;
- To communicate planned or corrective actions that need to be taken to address deficiencies disclosed by the audit; and
- To advise the client of the reporting process.

To facilitate discussion at the exit conference and as a matter of courtesy, the audit team should give client management a full brief of the issues and conclusions. Where the issues are complex, it may be worthwhile to prepare a presentation to be used to guide the exit conference discussion.

Similar meetings may be held at various locations where the fieldwork has been conducted, to apprise local management of the results of the audit work in that location.



However, the audit team will then hold a formal exit conference with the client management with overall responsibility for the activity within the scope of the audit.

The Audit Team Leader should ensure that notes of the points discussed during the exit conference are recorded. These notes should be included in the audit working papers.

Please refer to **Annex 1- Toolkit Nine: Audit Exit Meeting Minutes** for the template used to record the exit conference.

## 8.6 Engagement Conclusions

Internal auditors must develop an engagement conclusion that summarizes the engagement results relative to the engagement objectives and management's objectives. The engagement conclusion must summarize the internal auditors' professional judgment about the overall significance of the aggregated engagement findings.

Assurance engagement conclusion must include internal auditors' judgment regarding the effectiveness of the governance, risk management, and/or control processes of the activity under review, including an acknowledgement of when processes are effective.

## 8.7 Engagement Documentation

Internal auditors must document information and evidence to support the engagement results. The analyses, evaluations, and supporting information relevant to an engagement must be documented such that an informed, prudent internal auditor, or similarly informed and competent person could repeat the work and derive the same engagement results.

Internal auditors and engagement supervisor must review the engagement documentation for accuracy, relevance, and completeness. The Chief Audit Executive must review and approve the engagement documentation. Internal auditors must retain engagement documentation according to relevant.

### 8.7.1 Recording information during the audit

At the moment, internal audit management in the IAU is done manually. Therefore, the Audit Team should ensure that all information on the engagement planning meetings, risk assessment procedures, the audit work plan and audit programme, meetings with client management or staff, the testing methodology, test results and all relevant information to support the conclusions and engagement results, and recommendations are well documented and kept on file.

The Auditors should develop working papers as the audit progresses. The contents of the file should clearly support the basis of the observations and recommendations to be reported to the client and provide evidence that the audit was performed in accordance with the IIA Standards and this Manual. The working papers should also explain why any deviation was made from the audit programme. The audit working papers should include sufficient detail to describe clearly the sampling objective and the sampling process used. The working papers should include a description of the source of the population, the sampling method used and sampling parameters, items selected, and details of audit tests performed, and conclusions reached.

The Audit Team Leader should review everything being put on file. Auditors should be careful not to include anything in the working paper file for an assignment that they have not read and considered in full. This is important because the information in the document may affect the direction of the audit. Hence, the need for a review of the documents by at least one of the team members.

In the long term, the IAU will be able to automate and have an audit management system. When this is rolled out, the entire audit process will be documented electronically.



## 8.8 Supervising the Audit Engagement

The OMAs/RCs Head of Internal Audit and the Audit Team Leader have supervision roles at various phases of the audit. Both the OMAs/RCs Head of Internal Audit and the Audit Team Leader are required to review and approve specific documents and to provide general guidance, based on the competency and experience of the auditors.

The OMAs/RCs Head of Internal Audit are also required to ensure that adequate measures are in place to ensure that the agreed upon timelines in the audit plan are met.

The Audit Team Leaders should review each working paper as soon as possible after it is completed by the audit team members.

In conducting the review of working papers, the reviewers should ensure that:

- The approved engagement programme is carried out unless changes are both justified and authorized;
- Engagement working papers adequately support the engagement observations, conclusions and recommendations;
- Engagement communications are accurate, objective, clear, concise, constructive and timely; and
- Engagement objectives are met.

Prior to the submission of the draft report to the Audit Client, the Team Leader should ensure that the OMAs/RCs Head of Internal Audit has reviewed all the working papers submitted by the audit team.

For the selected assignment the Audit Team Leader should ensure that all audit queries from the review of the working papers by the Head are fully addressed and resolved before the report is sent to the client.

Managing the audit includes managing the schedule and the resources used to complete the audit. The OMAs/RCs Head of Internal Audit and the Audit Team Leader have the responsibility of ensuring that the deadlines set out in the audit plan are met as much as possible and that the budget for the total number of days for the audit is not exceeded.

It is also the responsibility of the Audit Team Leader to ensure that audit team members are trained and developed. At the end of the audit, the Audit Team Leader is also expected to evaluate the performance of each of the team members and to provide feedback on their performance and areas for improvement.

## 8.9 Communicating with the Head of Internal Audit during audit fieldwork.

The Audit Team Leader should routinely keep the OMAs/RCs Head of Internal Audit updated on the progress being made by the audit team. Any problems and challenges being faced should immediately be brought to the attention of the Head of Internal Audit.

Where the agreed upon milestones may not be met, the Audit Team Leader needs to inform the OMAs/RCs Head of Internal Audit in advance and needs to give an explanation for the delay.

The OMAs/RCs Head of Internal Audit should be on hand to assist in taking action and dealing with any challenges/ issues being faced by the teams in the field.

If faced with bigger challenges, the OMAs Head of Internal Audit should immediately inform the relevant Accounting Officer or CRO to ensure that the issues are solved at the highest level of the OMAs/RCs.

## 8.10 Ownership and retention of working papers

All working papers produced by the OMAs/RCs IAUs are owned by that IAU.

Access to the internal audit working papers is restricted to authorized internal audit staff members at all times. Requests for access to assignment working papers by the OMAs/RCs management and officials of the Government of the Republic of Namibia (GRN) shall be granted only after the consultation of the OMA/ RC Head of Internal Audit with the relevant Accounting Officer or the CRO.



Management and staff of the OMAs/RCs IAUs must respect the confidentiality of information acquired during the audit and not disclose information without appropriate authority, unless there is a legal or professional obligation to do so.

**Annex 1- Toolkit Ten: Audit File Index** shows the template used by the OMAs/RCs IAU for its audit working papers.

## 9. Principle 15 Communicate Engagement Results and Monitor Action Plans

Standard 15.1 -15.2

### 9.1 Introduction

*(Refer to Global Internal Audit Standards Principle 15)*

It is the responsibility of every OMAs/RCs IAU to communicate its audit results, conclusions and recommendations. Communicating results is a key component of the audit assignment.

Audit results can be communicated verbally and in writing during the audit. The results can also be communicated formally through written communications. The written communications should be prepared by the audit team and should be reviewed by the OMAs/RCs Heads of Internal Audit before they are submitted to the audit client, the relevant Ministers, Accounting Officers and CROs.

The DGIAPC will also periodically select and undertake a hot and cold review of completed audit engagements to ascertain that the work done was in line with the Manual requirements.

### 9.2 Communications during the engagement

During the audit, the audit teams should maintain regular contact with the focal point contacts of the area being audited. This communication can involve any of the following;

- Requesting for and collecting the needed information;
- Conduct audit tests and discussing any issues arising during the course of the audit;
- Sharing of audit results and proposed recommendations.

Any issues arising and discussed in these meetings should be documented in the audit working papers.

### 9.3 Final Engagement Communication

For each engagement internal auditors must develop a final communication that includes engagement objectives, scope, recommendations, and/or action plans if applicable and conclusions.

The final communication for assurance engagement must also include:

- The findings, their significance, and their prioritization.
- An explanation of scope limitations, if any.
- A conclusion regarding the effectiveness of governance, risk management, and control processes of the activity reviewed.

The final communication must specify the individual's responsible for addressing the findings and the planned date by which the action should be completed. When internal auditors become aware that management has initiated or completed actions to address the findings before the final communication, the action must be acknowledged in the communication.

#### 9.3.1 The Final Audit Report

The final audit report should incorporate the comments that were provided by the audit client to the DAR/Validation report. The client's responses and comments should be attached as an Appendix to the final report.

Internal auditors must ensure the final communication is reviewed and approved by the Chief Audit Executive before it is issued. The Chief Audit Executive must disseminate the final communication to parties who can ensure that results are given due consideration.

Before the final report is submitted, all working papers in the working paper file should be reviewed and signed off. When the OMAs/RCs Head of Internal Audit is satisfied with the quality and contents of the report, s/he will sign and release it for issuance.



Please refer to **Annex 1- Toolkit Eleven: Final Audit Report**

At the end of the audit, the Audit Team Leader is required to complete a report highlighting the team's performance against the approved plan. The template for this is in **Annex 1- Toolkit Twelve: Internal Audit Completion Report**.

OMAs/RCs Auditors are expected to produce finished-quality writing for review. The final report includes an executive summary, background, objective, scope and methodology of the audit. The overall conclusion section, (which in one paragraph, should include an overall summary of the audit results. The executive summary is a brief synopsis of the audit report, and it should concisely capture the audit results, conclusions and recommendations. Any positive observations should also be presented to give a balanced view of the audit results. The executive summary should not exceed one page.

The final audit report is addressed to the client's senior management, the department head or equivalent.

In the body of the final report, the response from the client should be treated as follows:

- If a recommendation is accepted and being/will be implemented, state that the recommendation remains open pending the required action is taken;
- If recommendation is accepted but the Internal Audit Unit does not agree with the proposed action plan to address the situation satisfactorily, the IAU should provide a rebuttal statement and reiterate the recommendation and requests that the client develop a satisfactory action plan to implement the recommendation; and
- If the client does not agree with the audit results or recommendation(s) in DAR, the Audit Team Leader should reconsider whether the result or recommendation is still valid or whether it needs to be amended:
  - If the Internal Audit team considers that the result or recommendation is still valid (i.e., disagrees with the client), the Internal auditor team should clearly state its position and rebut the client's arguments; and
  - If the client provides adequate evidence and justification, the Internal Auditors should amend or remove the corresponding result and recommendation.

The DGIAPC will also periodically select and review a sample of final audit reports drafted by the various OMAs and RCs IAUs.

#### **9.4 Getting of Audit Client Feedback upon Completion of the Audit**

Upon the completion of various audits by the OMAs/RCs Internal Audit teams, the Director of the DGIAPC will select a sample of audit clients and send them a survey form to confidentially get their feedback.

The aim of this activity is to enable senior management understand audit client perception of internal audit so that measures can be taken to ensure that any areas of improvement are rectified and quickly addressed.

**Annex 1 - Audit Toolkit Thirteen: OMAs/RCs Client Feedback Form** is the one that the Head of IAU sends to Audit clients.

## 10. Confirming the Implementation of Recommendations or Action Plans

### Standard 15.2

Internal Auditors must confirm that management has implemented internal auditor's recommendations or management's action plans following an established methodology, which includes:

- Inquiring about progress on the implementation.
- Performing follow-up assessments using a risk-based approach.
- Updating the status of management's actions in a tracking system.

The extent of these procedures must consider the significance of the finding.

If management has not progressed in implementing the actions according to the established completion dates, internal auditors must obtain and document an explanation from management and discussed the issue with the Head of IAU.

All audit recommendations should be maintained in the relevant OMAs/RCs Internal Audit Recommendations and Follow-Up Database. The database can either be an Excel sheet or a computer software. This database includes details of the impact, the focus area, the risk category and rating and the cause and financial implication of the recommendation as well as the agreed upon timelines for implementing the recommendation.

Upon getting any information on the status of implementation, the Audit Team should ensure that the Follow-Up database is accordingly updated to reflect the current status of implementation.

It is the responsibility of the Audit Team that handled the audit engagement to follow up and review the audits' progress in implementation the agreed upon recommendations.

In order to determine whether a recommendation should be closed, auditors must review the evidence provided by the client, assess its credibility, and establish whether the action taken is valid and sustainable.

Long overdue recommendations (defined as overdue for more than 1 year past the target date for critical recommendations and 3 years past target date for important recommendations), shall be reviewed for potential closure, unless reasonable action plans for full implementation are provided. The original target dates for implementation (as provided when finalizing the report) shall remain unchanged. Those recommendations that are "closed without implementation" will be reported in OMAs/RCs Quarterly Activities Report and Annual Reports.



## 11. Reporting to the Accounting Officers, CROs and Audit and Risk Committees (ARC)

Results of the audits conducted by the various OMAs and RCs are communicated to the relevant Accounting Officers, Chief Regional Officers and the respective ARCs on a quarterly and annual basis. As part of the Quarterly Report, the key issues from the completed audits as well as the status of implementation of audit recommendations by management of the various OMAs and RCs are reported.

Each OMAs/RCs Head of Internal Audit has the responsibility of preparing and sharing quarterly and annual reports showing audit progress and key issues to the relevant OMAs/RCs senior management with a copy to the Director of the DGIAPC.

The Director of the DGIAPC has the responsibility of consolidating all the quarterly audit reports from the OMAs and RCs and sharing key cross-cutting issues with the Minister of Finance and Public Enterprises and the GARC.

At the OMAs/RCs level, each Head of Internal Audit is expected to submit a quarterly report and Annual Report to their relevant Accounting Officers, CROs, Senior management and ARC.

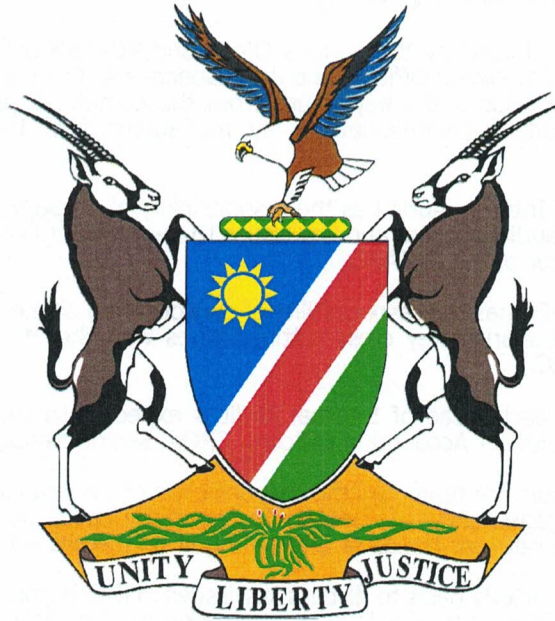
The DGIAPC Quality Assurance team has the responsibility of undertaking quality assurance review of selected audit engagements of OMAs/RCs quarterly and annual reports and making recommendations to the relevant Heads of Internal Audit on the areas for improvement.

All ARC will meet on a quarterly basis to discuss key issues in that particular OMAs or RCs. The OMAs and RCs Audit and Risk Committees will also then report to the GRAC and meet with the ARC to update on the issues affecting their respective OMAs or RCs.

After discussions with the OMAs and RCs Audit and Risk Committees, the GARC will in turn appraise the Minister of Finance and Public Enterprises on the key cross-cutting issues that need to be brought to his/ her attention.

Please refer to **Annex 1- Toolkit Fourteen: OMAs/RCs Quarterly/Annual Report Template** for a copy of the template used by the OMAs/RCs IAUs for reporting.

## ANNEX 1- AUDIT TOOL KITS



# REPUBLIC OF NAMIBIA INTERNAL AUDIT MANUAL

## AUDIT MANUAL TOOLKITS/ TEMPLATES



## ANNEX 1- AUDIT TOOL KITS

IAU Toolkit	Area Handled/ Template Name
Toolkit One	Risk-Based Annual Audit Plan
Toolkit Two	Audit Notification Letter
Toolkit Three	Understanding the Engagement
Toolkit Four	Project Plan
Toolkit Five	Inception Meeting Minutes
Toolkit Six	Engagement Letter
Toolkit Seven	Engagement Work Program
Toolkit Eight	Recording Audit Findings in the Validation Report
Toolkit Nine	Audit Exit Meeting Minutes
Toolkit Ten	Audit File Index
Toolkit Eleven	Final Internal Audit Report
Toolkit Twelve	Internal Audit Completion Report
Toolkit Thirteen	OMAs/RCs Client Feedback Form
Toolkit Fourteen	OMAs/RCs Quarterly/ Annual Report Template

**\*\* Please note that the relevant headed paper for the OMAs/RCs should be used for each of the above templates when being used.**

## **Toolkit One**

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## **Risk Based Annual Audit Plan**



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## 1. Introduction (Refer to Practice Guide Developing a Risk-based Internal Audit Plan)

*[This section should introduce and provide a rationale for the annual plan]*

### Example:

The Internal Audit Annual Audit Plan is based on a Risk-Based Approach. With a risk-based plan, the IAU is able to ensure that priority is given to those areas/ activities within the OMAs/RCs where the achievement of each OMAs/RCs objectives is at a high risk.

In coming up with its Annual Plan, the IAU consults with and gets input from the key stakeholders within the OMAs/RCs. These stakeholders include the Ministers, Accounting Officers, and senior management in each of the OMAs/RCs.

The 2023 annual operational plan (the Plan) is guided by the International Professional Practices Framework (IPPF), and the Internal Audit Unit's (IAU)'s Strategic Vision and understanding of the risks across the various OMAs/RCs. This plan focuses on the most significant risks to the OMAs/RCs, and on the most critical areas related to the operations of the various ministries.

IPPF Standard 2010, requires Internal Audit functions to establish a more agile risk assessment that incorporates lessons learned from the previous year, a more accurate consideration of available resources, and enhancements to the audit universe recording and risk rating.

The Plan is the result of a comprehensive and continuous risk assessment conducted throughout the year that considers, among other sources, assigned risk ratings to auditable areas based on established quantitative and qualitative criteria, the results of previous audits, the status of management action plans addressing IAU observations, and areas that may not have been the subject of audit work in the past years.

Comprehensive documenting of the audit universe in all the OMAs/RCs needs to be undertaken, and workshops conducted to discuss the audit universe and risk rating with the auditors in each of the OMAs/RCs. From the audit universe, key areas of audit for this financial year will be selected.

## 2. Role of Internal Audit in the Namibian Government

*[This is a standard write up. You can use the write up below, but amend the wording to reflect the relevant sector]*

### Example:

The role of the IAU is to determine whether the respective OMAs and RCs risk management, control, and governance processes, as designed and operated by management, are adequate and functioning in a manner to confirm that;

1. Risks are appropriately identified and managed;
2. Significant financial, managerial, and operating information is accurate, reliable, and timely;
3. Employees' actions are in line with policies, procedures and the applicable laws and regulations of the Namibian Government;
4. Resources are acquired economically, used efficiently, and protected adequately to achieve the intended objectives;
5. Programs, plans and objectives are achieved;
6. Staff adhere to established ethics and values system; and
7. Quality and continuous improvement are fostered in the OMAs/RCs control processes.



### 3. Mission Statement of the Internal Audit Unit (IAU)

*[Highlight the mission of the IAU or your relevant internal audit unit in the sector. You can use the standard write-up below]*

**Example:**

The IAU aims to provide a high quality and effective audit service that is responsive to the needs of the OMAs/RCs; thus, adding value to the systems of GOVERNMENT by identifying risks, make recommendations for improvement and offer advice and assistance in order to ensure effectiveness of the systems of internal control. Internal-Audit aims to assist GOVERNMENT mitigate risk; ensure effective control and governance procedures.

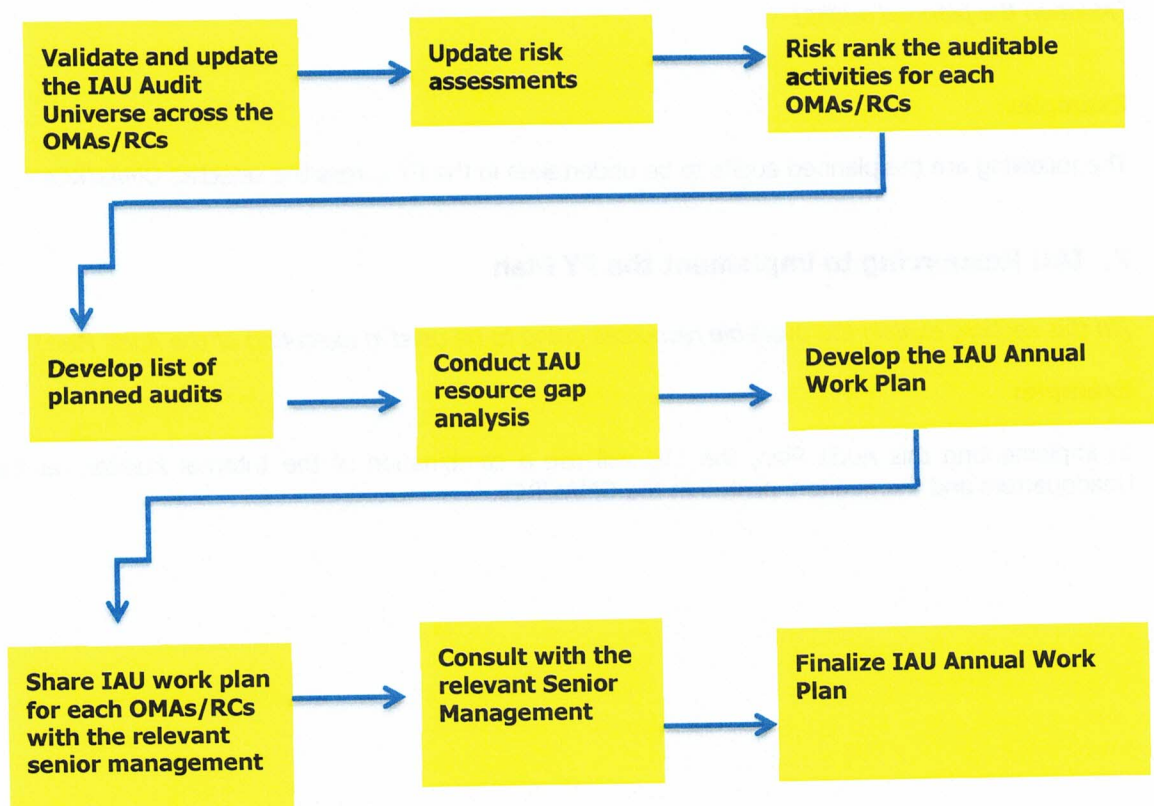
It also aims to operate in accordance with the standards contained in the IPPF of the IIA and in compliance with the Public Finance Act 2014.

### 4. The IAU Annual Plan Development Process

*[Explain the process you used in the development of your Annual Plan]*

**Example:**

The following are the key steps followed by the IAU in its risk assessment and annual work planning development process;



## 5. IAU Strategy and Approach in developing the FY XX Audit Plan

*[Explain the approach for developing the plan]*

### Example:

This Plan is a consolidation of all the OMAs/RCs Plans for the FY. Between October and December, the OMAs/RCs Auditors were involved in documenting the audit universe for each OMAs/RCs and rating the identified risks. This comprehensive activity has enabled the auditors to identify the key risks in the operations and management of the various ministries.

From this universe, the Internal Auditors were able to come up with the planned quarterly audits for the FY. This Plan is the consolidated Plan that cuts across all OMAs/RCs where Internal Auditors are posted.

In coming up with the plan, the following were also considered:

- a. Planned audit engagements - These will be undertaken during the year;
- b. Special audits - These are requests from management to undertake various audits as and when the need arises. It is expected that IAU will spend about 30% of time on special audits.

## 6. Planned Internal Audits for the FY

*[Mention the planned audits]*

### Example:

The following are the planned audits to be undertaken in the FY across the selected OMAs/RCs:

## 7. IAU Resourcing to implement the FY Plan

*[In this section, explain the available resources going to be used in executing of the Audit Plan]*

### Example:

In implementing this Audit Plan, the IAU will use a combination of the Internal Auditors at the Headquarters and the auditors posted at the OMAs/RCs.



# Republic of Namibia Internal Audit Manual

Below is the total IAU internal audit staffing that will support the execution of this Strategic Plan:

OFFICES, MINISTRIES, AGENCIES (OMAs)	NR of Internal Auditors
1. Office of the President	3
2. Central Intelligence Service	2
3. Office of the Prime Minister	2
4. Office of the Auditor General	4
5. Office of the Judiciary	6
6. Anti-Corruption Commission	1
7. National Planning Commission	1
8. Electoral Commission	3
9. National Council	2
10. National Assembly	2
11. Ministry of Finance and Public Enterprises	19
12. Ministry of Health and Social Services	9
13. Ministry of Agriculture, Water and Land Reform	9
14. Ministry of Fisheries and Marine Resources	1
15. Ministry of Education, Arts and Culture	7
16. Ministry of Higher Education, Training and Innovation	3
17. Ministry of Industrialization and Trade	1
18. Minister Environment, Forestry and Tourism	3
19. Ministry of Labour, Industrial Relations & Employment Creation	2
20. Ministry of Gender equality, Poverty eradication & Social welfare	5
21. Ministry of Sport, Youth and National Service	2
22. Ministry of Works and Transport	2
23. Ministry of Home Affairs, Immigration, Safety and Security	14
24. Ministry of International Relation and Cooperation	2
25. Ministry of Mines and Energy	2
26. Ministry of Information and Communications Technology	2
27. Ministry of Justice/ Office of the Attorney General	8
28. Ministry of Defence and Veterans Affairs	5
29. Ministry of Urban and Rural Development	8
<b>REGIONAL COUNCILS (RCs)</b>	
30. Kunene Regional Council	2
31. Omusati Regional Council	2
32. Oshana Regional Council	2
33. Ohangwena Regional Council	2
34. Oshikoto Regional Council	2
35. Kavango West Regional Council	2
36. Kavango East Regional Council	2
37. Otjozondjupa Regional Council	2
38. Erongo Regional Council	2
39. Omaheke Regional Council	2
40. Khomas Regional Council	2
41. Hardap Regional Council	2
42. Karas Regional Council	2
43. Zambezi Regional Council	2
<b>Total</b>	<b>158</b>

## 8. Proposed Budget for the Year

*[Include the planned budget needed to implement the planned activities]*

## 9. Planned Staff Capacity Building of Staff

*[This section focusses on how continuous professional development is going to be undertaken]*

### Example:

The Internal Audit standards make Continuous Professional Development (CPD) of Internal Auditors mandatory. The IAU Code of Ethics as well as the Manual also emphasize the requirement for CPD of all Internal Auditors of the IAU.

During this financial year, it is planned that each internal auditor will undertake a minimum of **40** hours of CPD. The IAU will create opportunities for the Internal Auditors to attend various trainings (physically or virtually).

The IAU management support to the auditors will include giving them opportunities to attend trainings and workshops, organizing in-house trainings, as well as funding professional courses of the auditors for professional courses like Certified Internal Auditor (CIA), Certified Fraud Examiner (CFE), Certified Information Systems Auditor (CISA) and ACCA.

## 10. Reporting and monitoring of the Plan

*[In this section, explain how the reporting and monitoring of the plan will be done]*

### Example:

The IAU Charter requires the Head of Internal Audit to submit a Quarterly Report and Annual Report on the status of implementation of the IAU Audit Plan. In these Reports, the IAU will also provide a status update on the implementation of audit recommendations by the various audit clients.

Upon review and approval of the Quarterly Reports, each Head of Internal Audit will also submit their quarterly and annual reports to their respective Accounting Officers. Annually, all OMAs/RCs auditors will submit their final annual reports to the Director of DGIAPC.

The Head of Internal Audit will also on a quarterly and annual basis submit reports to the Audit Committee as well as any other identified relevant key stakeholders.

## 11. Conclusion

*[Make a summary of expectations]*

### Example:

This is the first time that a sector-wide risk-based Audit Plan has been developed. With the deployment of the auditors in the sectors, the successful implementation of this plan will help ensure better audit coverage which will in turn help the various ministries improve on their Governance, Risk Management, and Internal Controls (GRC) in place.



The IAU is confident that it will be able to successfully implement all the planned activities. Any changes or challenges to the Plan will be duly communicated to the Audit Committee, the Honorable Minister of Finance and Public Enterprises, the Accounting Officer of the MFPE, and any other relevant key stakeholders.

## 12. Request for adoption and approval

Designation	Signature	Date
Director/ Head of Internal Audit		
Chairman of Audit Committee		
Accounting Officer of Ministry of Finance and Public Enterprises		

*Working Paper Ref:*

# **Toolkit Two**

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## **Audit Notification Letter**



## Republic of Namibia Internal Audit Manual

**To:** XXX  
XXX, XXX Ministry  
**From:** XXX  
Director/ Head of Internal Audit, Ministry of XXX  
**Date:** xxx  
**Subject:** **Audit Notification Letter for upcoming audit of xx**

### Audit Objectives

*[In this section the auditors will state their objectives of this engagement, they will mainly mention the following points:]*

- Obtain an understanding of the area under audit.
- Obtain information about the objectives of the area under audit and ensure accomplishment of these objectives.
- Obtain information about the risks associated, and the adequacy and effectiveness of the internal controls to mitigate these risks.
- Criteria against which the audit will be conducted.]

### Audit Team

The following auditors will be responsible for the management and execution of the audit:

Designation	Name	Contact Details
Team Leader		+ xxx xxx xxx <a href="mailto:example@MOF.org">example@MOF.org</a>
Deputy Team Leader		
Team Member1		
Team Member2		
Team Member3		

### Schedule

Our team will have an entry meeting on xxx with your management team to discuss the audit objectives and solicit your input to have a detailed understanding of the area under audit. Our team will commence this audit on xxx and will take xx **working days** to conduct this audit. Any changes will be communicated in writing.

### Closing

Should you need any additional information, please do not hesitate to contact me.

Our team looks forward to working with you and your team and thank you in advance for your cooperation.

**Signature**

**Date**

*Working Paper Ref:*

# **Toolkit Three**

-

## **Understanding the Engagement**



Working Paper Ref:

<b>Entity/ OMA/RC:</b>	<i>e.g, Ministry of Finance and Public Enterprises</i>
<b>Annual plan reference:</b>	<i>Name and reference of audit in annual audit plan</i>
<b>Sub entity/ audit area/process:</b>	<i>e.g procurement processes</i>
<b>Key contacts from entity:</b>	<i>e.g Accounting Officer of Ministry</i>

*This Template is used to document the Internal Audit Team's understanding the engagement/client, the team's assessment of the area's inherent risks and information obtained about the control environment.*

<b>1. Understand engagement requirements, determine audit scope, determine the need for specialized skills and establish the team</b>					
<b>Services:</b>	<i>Assurance/ consulting/ investigation etc.</i>				
<b>Scope:</b>	<i>Indicate scope of the audit e.g., process for review, review period, etc.</i>				
<b>Audit Objective:</b>					
<b>Deliverables:</b>	<input type="checkbox"/> Audit report	<input type="checkbox"/> Advisory note	<input type="checkbox"/> Other (specify):		
<b>End date:</b>	<i>Target completion date</i>				
<b>Team:</b>	<b>Team leader:</b>  <b>Other team members:</b>				

<b>2. Conclusions from preliminary activities</b>	
<b>Preliminary overall risk assessment:</b>	<i>Document the overall inherent risk e.g., high, medium, low</i>
<b>Date of completion:</b>	<i>Document date of completion of the risk assessment</i>
<b>Issues identified/Risk factors:</b>	<i>e.g., prior fraud incidents, special request information, whistle blower information, rating from previous audits etc.</i>
<b>Audit response to issues identified:</b>	<i>Document broad strategy/ planned procedures to obtain assurance over the risks identified e.g., test of controls, substantive testing etc.</i>

<b>3. Understand the engagement/client</b>	
<i>We obtain an understanding of the engagement/client and the environment in which it operates to enable us to identify risk factors that should be considered throughout the performance of the audit.</i>	
<b>3.1 Audit area and its environment</b>	
<b>Sources of information:</b>	<i>E.g., review of legal and regulatory framework, interviews with key stake holders, entity risk assessment documentation etc.</i>
<b>Individual(s) interviewed:</b>	<i>List persons interviewed/ consulted</i>
<b>Description of audit entity, including its operations, ownership, and governance structures:</b>	<i>Provide relevant description of the audit entity/ area/ process etc. (E.g., flowcharts, narrative)</i>
<b>Relevant sector, legal and regulatory framework, and other external factors:</b>	<i>Document a general understanding of the sector, the legal and regulatory framework applicable, including how the entity complies with that framework, and other external factors. (E.g., State Finance Act)</i>
<b>Entity's objectives and strategies:</b>	<i>Document the entity's objectives and strategies</i>
<b>Entity Risk assessment processes:</b>	<p><i>Document observations of the entity's process for identifying, estimating, and assessing its risks, the results of these processes and actions decided to address those risks.</i></p> <p><i>Where the entity does not have a risk assessment process, inquire of management whether its risks have been identified and how they have been addressed.</i></p> <p><i>Document inquiries of management, Board etc., as to whether they have knowledge of any actual or suspected fraud. Document any fraud risk factors identified.</i></p>
<b>Understanding of the IT environment; impact of technology on the operations of the audit area:</b>	<i>Document the nature and extent of use of IT including end user applications (spreadsheets, databases, etc.) Key consideration should be given to the potential risks that could arise from the use of such technologies such as manipulation of data and other data risks, impact of system down time on operations, system vulnerabilities that could expose the organization etc.</i>



4. Conclusions following opening meetings with the client		
<b>Date:</b>	<b>Participants</b>	
	<b>IAU:</b>	
	<b>CLIENT:</b>	
<b>Agenda items:</b>		<b>Decisions reached:</b>
1		
2		

## Annexure One (to Understanding the Engagement)

*List of reference documents to use for obtaining understanding of the engagement*

Sr. No	Source/Area/Document/Issues	Auditor
1	Study OMAs/RCs documentation on the auditee and previous audit report(s) issued by the Internal Audit teams or any other assurance providers.	
2	Obtain and Study external audit report- Report issued by Office of Auditor General	
3	Study relevant laws	
4	Study relevant Standard Operating Procedures and Manual(s).	
5	Obtain and Study Relevant Policies.	
6	Obtain and study vision, mission, and objectives of the office.	
7	Obtain and Study relevant, executive orders.	
8	Review accounting system.	
9	Enquire about and review the methodology used to consolidate and prepare financial reports/statements.	
10	Conduct facility tour and site visits to gain general impression and observe the programme operations.	
11	Visit unit(s) to which the office is reporting to understand their concern(s) and Expectation(s) from audit.	
12	Visit web site of the relevant OMAs/RCs and other relevant web sites to gain understanding about operations of the auditee.	
13	Obtain and go through the letter dispatch and registration record	
14	Interview the service receiver(s) and discuss their needs and expectations and assess whether they are being met.	
15	Obtain and study financial and other periodic reports.	
16	Obtain annual and quarterly target –plan and progress.	
17	Obtain and study the Sector's organizational structure and related roles and responsibilities of various Sections.	
18	Discuss with organizational development and training programs.	
19	Obtain and review the turnover/transfer of key staff.	
20	Obtain and understand the geographical area for which the office is responsible.	
21	Enquire about the performance criteria and procedures used by office to monitor the performance.	
22	Enquire into and consider key factors if any behind past success or failure.	
23	Enquire about any case of corruption occurred during the period under audit	
24	Enquire if there is a practice of regular staff meeting and review decisions.	
25	Enquire about grievances and suggestions handling process.	
26	Enquire into the procedures by which the physical existence of tangible fixed assets is safeguarded and properly utilized.	
27	Discuss and consider cost saving and revenue increasing opportunities	
28	Enquire and study the IAU coverage about the unit under audit and discuss it with management.	
29	Enquire about logistic arrangement and consider availability for efficient operation of the office.	



## **Toolkit Four**

-

## **Project Plan**

# Republic of Namibia Internal Audit Manual

Working Paper Ref:

## Project Plan (Schedule)

Task Name	Duration	Start	Finish	Predecessors	Resource Names	% Work Complete
<b>NAME OF SYSTEM REVIEW</b>	<b>20 days</b>	<b>Mon 3/4/24</b>	<b>Fri 3/29/24</b>			<b>0%</b>
<b>1. Planning</b>	<b>5 days</b>	<b>Mon 3/4/24</b>	<b>Fri 3/8/24</b>			<b>0%</b>
	1 day	Mon 3/4/24	Mon 3/4/24			0%
	1 day	Tue 3/5/24	Tue 3/5/24	3		0%
	1 day	Wed 3/6/24	Wed 3/6/24	4		0%
	1 day	Thu 3/7/24	Thu 3/7/24	5		0%
	1 day	Fri 3/8/24	Fri 3/8/24	6		0%
<b>2. Conducting Fieldwork</b>	<b>10 days</b>	<b>Mon 3/11/24</b>	<b>Fri 3/22/24</b>			<b>0%</b>
	1 day	Mon 3/11/24	Mon 3/11/24			0%
	2 days	Tue 3/12/24	Wed 3/13/24	9		0%
	2 days	Thu 3/14/24	Fri 3/15/24	10		0%
	1 day	Mon 3/18/24	Mon 3/18/24	11		0%
	1 day	Tue 3/19/24	Tue 3/19/24	12		0%
	1 day	Wed 3/20/24	Wed 3/20/24	13		0%
	1 day	Thu 3/21/24	Thu 3/21/24	14		0%
	1 day	Fri 3/22/24	Fri 3/22/24			0%
<b>3. Communicating Results</b>	<b>5 days</b>	<b>Mon 3/25/24</b>	<b>Fri 3/29/24</b>			<b>0%</b>
	1 day	Mon 3/25/24	Mon 3/25/24			0%
	1 day	Tue 3/26/24	Tue 3/26/24	18		0%
	1 day	Wed 3/27/24	Wed 3/27/24	19		0%
	1 day	Thu 3/28/24	Thu 3/28/24	20		0%
	1 day	Fri 3/29/24	Fri 3/29/24	21		0%



# **Toolkit Five**

-

## **Inception Meeting Minutes**

Working Paper Ref:

Basic Information	
Office Name:	Prepared by:
Office Address:	Reviewed by:
Date of Meeting:	Date
Audit Team	
Team Leader:	
Deputy Team Leader:	
Team Member-1:	
Team Member-2:	
Officials of Audit client	
1.	
2.	
3.	
4.	
5.	
6.	
7.	
Agenda Item	Minutes
Audit Objectives	
Audit Scope	
Audit Duration	
Audit Methodologies (review, discussion, observation, verification)	
Logistical Needs (such as space)	



**Republic of Namibia Internal Audit Manual**

Recent Changes (any recent changes to the scope, objectives, and structure of the area audit)	
Audit client Management's Concerns, Recommendations, Suggestions	
Assigning Audit Coordinator/Focal Point	
Assigning Audit Coordinator/Focal Point	
Any other matter(s)	

# **Toolkit Six**

—

# **Engagement Letter**



**TO:**                **XXXXX**  
**CC:**                **XXXXX**  
**FROM:**           **XXXXX**  
                         **Head of Internal Audit, OMAs/RCs (Name)**  
**DATE:**            **XXXXX**

---

**SUBJECT:        ENGAGEMENT LETTER FOR THE XXXXX AUDIT**

Following our introductory meeting on xxxxx (date), we wish to confirm the following:

(A copy of the minutes of the inception meeting is attached for your information)

### 1. Engagement Objectives and Scope

*[Refer to the Global Internal Audit Standards 13.3]*

### 2. Audit Methodology

Audit methodologies are steps/activities that will be undertaken during the audit. The audit methodology includes the following:

- Interviews; observation; inquiry; inspection; examination;
- Analytical procedures; and
- Tests of controls

### 3. Time frame of the audit

Our team will commence this audit on xxx and will take xx **working days** to conduct this audit. This schedule is tentative and could be changed as and when required.

### 4. Audit Team

The following auditors will be responsible for the management and execution of the audit:

Designation	Name	Contact Details
Team Leader		+264x xxx xxx <a href="mailto:example@MOF.org">example@MOF.org</a>
Deputy Team Leader		
Team Member1		
Team Member2		
Team Member3		

### 5. Requirements and Expectations:

## Republic of Namibia Internal Audit Manual

Management will be expected to provide comments within maximum ~~xx~~ working days after the draft findings/report has been issued.

In order to ensure continuous improvement from Internal Audit Services, Management will be required to complete a short survey on completion of the audit.

Management is welcome to provide additional aspects that should be considered during the audit engagement.

Kindly sign below to acknowledge receipt:

Name: \_\_\_\_\_

Job title: \_\_\_\_\_

Signature: \_\_\_\_\_

We look forward to working with you and your team and thank you in advance for your cooperation.

\_\_\_\_\_  
**HEAD OF INTERNAL AUDIT**



# **Toolkit Seven**

-

## **Engagement Work Program**

**Risk, control, and planned procedures matrix** (Refer to IPPF Practice Guide Engagement Planning - Establishing Objectives and Scope)

This details the risk matrix and audit procedures that will be executed to achieve the engagement objective

ENGAGEMENT WORK PROGRAMME					WP REF:
<b>DEPARTMENT:</b>  <b>FINANCIAL YEAR:</b>  <b>AUDIT AREA:</b>		<b>COMPILED BY:</b>  <b>DATE:</b>  <b>REVIEWED BY:</b>  <b>DATE:</b>			
AUDIT PROCEDURES					
BUSINESS OBJECTIVE	INHERENT RISK	CONTROLS	ENGAGEMENT PROCEDURES	COMMENTS	WP REF
A. Personnel expenses are appropriate and authorized	A.3 Expense reports are not submitted/reviewed timely, resulting in inappropriate expenses.	No control is in place		Direct recommendation	
A. Personnel expenses are appropriate and authorized	A. 4 Expense reports with receipts are not reviewed and approved by appropriate	Approvals are based on management hierarchy. Expense reports cannot be	[Indicate the procedures to be undertaken]		



	<i>personnel, resulting in inappropriate expenses.</i>	<i>submitted until a manager approves them. Expense team conducts monthly reviews.</i>		

Review and approval:

Prepared by: .....[Put name of the staff].....

Date: .....

Reviewed by: .....[Put name of the staff].....

Date: .....

Approved by: .....[Put name of the staff].....

Date: .....

## **Toolkit Eight**

-

### **Recording Audit Findings in the Validation Report**



## RECORDING AUDIT FINDINGS (DAR)

### DETAILED CONTROL WEAKNESSES IDENTIFIED

**TITLE OF AUDIT**

**NAME OF OMAs/RCs**

**DATE**

**ATTENDEES:**

**Audit Client:**

**Audit team:**

<b>HEADING</b> <i>(Finding number and title)</i>					
<b>CRITERIA</b>	<b>CONDITION</b>	<b>CAUSE</b>	<b>CONSEQUENCE</b>	<b>RATING</b>	<b>CORRECTIVE ACTION</b>

**MANAGEMENT ACTION PLANS:**

**Agreed Action:**

**Due date for Action plan:**

**Responsible person:**

# **Toolkit Nine**

-

## **Audit Exit Meeting Minutes**



Working Paper Ref:

Basic Information	
Office Name:	Prepared by:
Office Address:	Reviewed by:
Date of Meeting:	Date
Audit Team	
Team Leader:	
Deputy Team Leader:	
Team Member-1:	
Team Member-2:	
Officials of the Audit client	
1.	
2.	
3.	
4.	
5.	
6.	
7.	
Agenda Item	Minutes
Auditee's positive and strong points.	
How audit report can help enhance the operations of the auditee and assist in achieving its objectives	
Brief discussions over the audit findings (including any follow up findings)	
Importance of the implementation of audit findings	
Thanking auditee management for their cooperation during audit, opinion, and suggestions of the auditee on audit work.	

# **Toolkit Ten**

## **—**

# **Audit File Index**

## The Permanent Audit File

SECTION	TITLE	CONTENT
1	<b>General background information</b>	To include: <ul style="list-style-type: none"> <li>• Regulation</li> <li>• Strategies and plans</li> <li>• Organization charts</li> <li>• Expenditure and budgets</li> <li>• Other data and documents – copies or references where is the information</li> </ul>
2	<b>Reports to management</b>	Copies of executive summary and action plan from all audit reports (Correspondence and other documentation to be held on relevant current audit files)
3	<b>Copies of other relevant reports</b>	External audit reports Consultancy reports
4	<b>Outline of policies and procedures in operation</b>	
5	<b>Relevant job descriptions and authority limits</b>	
6	<b>Sample documentation</b>	Any relevant forms and extracts from office instructions etc.



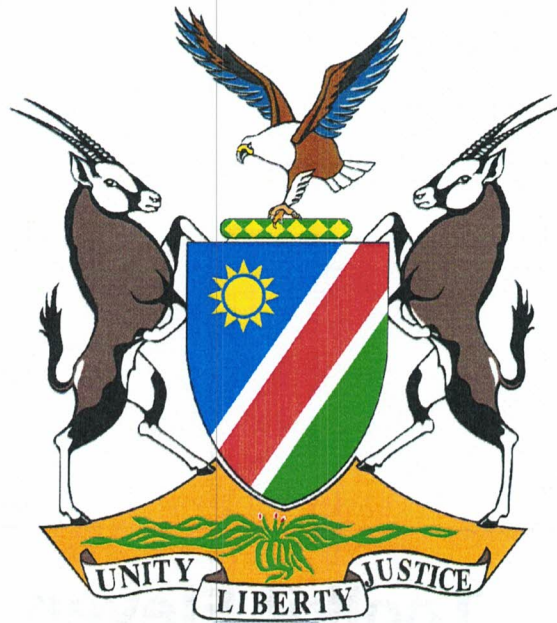
## The Current Audit File

SECTION	TITLE	CONTENT
1	<b>Audit supervision and review papers</b>	Completed Audit Review Record and check lists
2	<b>Audit planning documents</b>	Audit Assignment Plan, Letter of authorization Notes of the initial discussions with the auditee Projected and actual time budgets
3	<b>Previous audit report</b>	Copies of the previous Internal Audit report, including relevant correspondence and action plans
4	<b>Points forward from previous audit</b>	List of points highlighted for future work by Internal Audit
5	<b>Current audit report</b>	Draft and final versions All related correspondence Action plan Minutes of exit and final meetings
6	<b>Monitoring</b>	Details of tests done to check implementation of recommendations made on previous audit Summary of implemented and not implemented recommendations
7	<b>Systems and procedures in operation</b>	To include flowcharts, narrative descriptions and sample documentation, as appropriate
8	<b>Audit Findings Form</b>	Evaluation of weaknesses, causes and effects
9,10, 11, 12 etc.	<b>Working papers – divided into sections (E.g. by sub-system) as appropriate</b>	To include: Audit Plan Audit Test Program Audit Test Record Details of tests carried out

## **Toolkit Eleven**

—

## **Final Internal Audit Report**



# **Republic of Namibia**

## **Ministry of xxx**

**XXXX**

**XX AUDIT FOR THE PERIOD OF XXX**



[Put on Letter Head]

---

## DRAFT REPORT

Engagement Ref No.: xxx

Date: [Insert date here]

The xxx

Xxxxx

Dear Sir,

**xx Audit [ Insert name of the audit and period under review ]**

I am pleased to present the **draft** report on the above-mentioned audit.

We will be grateful if you can kindly review and avail us with the Management comments to our observations and recommendations in this draft report within **Three (3) working days**. Upon receipt of your response, a final report with your responses and the agreed upon courses of action will then be circulated to all the relevant stakeholders.

We would like to take this opportunity to express our gratitude to the Management of for their cooperation and support during the engagement.

Please do not hesitate to get in touch with us should you need clarification on any component of this draft report.

Your sincerely,

.....  
**xx**

**Accounting Officer/CRO**

**CC:** File / R/File.

[Put on Letter Head]

---

## FINAL REPORT

**Date: [Insert date here]**

The Accounting Officer [Put the relevant process owner/ ED title],  
Ministry of xxx

**Xxx Audit (E.g. Revenue Audit) for the period of xxx (e.g. 1<sup>st</sup> January 2012- 28<sup>th</sup> February 2013)**

I am pleased to present the Final report on the above mentioned audit.

A meeting was held with the xxx [ Put the process owner title) and his/ her team to discuss the draft report and agree on the action plan on xx [put the date of meeting) at the xxx Offices [Put details of the location of the meeting].

The final report incorporates the management responses to our audit findings and recommendations as well as the agreed upon timelines for the implementation of these proposed recommendations aimed at improving the control environment. Please note that follow-up audits will be conducted to ascertain the progress being made by management to address the issues raised.

We are grateful to the Ministry of xxx team[ Put process owner team] for the cooperation rendered to the audit team during the assignment.

Please do not hesitate to get in touch with me should you need any clarification on any component of this report.

Regards,

Xxx [Put name of the person]  
Accounting Officer/CRO

*Cc: Accounting Officer, Ministry of XX [C.c. all the key people interested in the findings/ with power to make needed implementation]*

*C.c: xx*

*C.c: File*

## Acronyms

*[Describe all acronyms used in the report. Ensure that they are in descending order]*

[illegible]



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## 1. Executive Summary

### 1.1 Introduction

The Internal Audit Department is mandated by the State Finance Act (XX) and the Internal Audit Charter to conduct audits of the Ministry of xx and any areas as required by the Accounting Officer/ Chief Regional Officer.

The audit of the xxxx **[insert the area audited]** was part of the FY xx Annual Risk-based Plan of the Internal Audit Department. During the audit engagement, an entrance meeting was held with the officials of the xxx **[Insert the directorate/ project name]** to discuss the audit objectives, scope, and the methodology to be applied during the audit.

At the completion of the audit field work, a briefing was conducted on xx **[Insert the date of the briefing]**, to provide an overview to Management on the audit observations as well as to seek additional clarifications where required. Based on the work we have performed during our audit of the **[Insert the name of the process/ project]**, the assessment of the design of the selected controls within the cycles are evaluated follows:

### 1.2 Audit objectives

*[Highlight why you are doing the audit. What does the audit aim to achieve?]*

*See example below:*

The objectives of the audit were to:

- a. Review the design and operating effectiveness of Internal Controls, Risk Management and Governance surrounding various processes and systems (financial and non-financial) of the Project.
- b. Assess the Project's compliance with the relevant laws, regulations, and policies.

### 1.3 Audit scope

*[Include the period of audit, and the areas of focus]*

*See example below:*

The scope of the audit was from 1<sup>st</sup> January 2021 to 31<sup>st</sup> December 2022.

The audit also reviewed the specific area, example:

- Implementation arrangements.
- Procurement.
- Payroll.
- Expenditure Management.
- Fuel Management.
- Assets Management; and
- Human Resource Management.

## 1.4 Audit methodology

The audit methodology included:

- Obtaining an understanding of the internal control structure, risk management and governance of the xxxx [mention the area under review].
- Reviewing of relevant agreements, manuals, policies, and procedures.
- Conducting interviews and discussions with relevant personnel.
- Detailed testing of samples of selected transactions/activities undertaken during the period under review.
- Verifications and inspections.

## 1.5 Summary of key Audit Findings and Recommendation

Below is a summary of the key audit findings. Detailed information for each finding can be found in the detailed report.




No	Key finding	Recommendation	Responsible Person	Page No.

## 1.6 Conclusion

*[Insert your conclusion. Note down the conclusion should reflect the ratings you have given. The conclusion should enable the reader to get your opinion on the Governance, Risk Management and Controls in place in the period under review. This should be got from the conclusion section at the end of the report.]*

## 1.7 Classification of Audit findings

For each of the audit findings, an audit rating has been given. The table below provides the definition of each of the various categories of audit ratings given in the report.

Rating	Audit Rating	Definition
	<b>Critical</b>	Control weaknesses that are regarded as crucial and require immediate senior management action.
	<b>Significant</b>	Control weaknesses that are regarded as serious and require management action within a short period of time
	<b>Housekeeping</b>	These control weaknesses do not represent a significant risk to the control environment and can normally be corrected at a minimal cost. The correction of these control weaknesses will have the effect of an improved control environment

**[INCLUDE PICTORIAL REPRESENTATION OF THE NUMBER OF FINDINGS FOR EACH CATEGORY OF RATING]**



## **2. Background**

### **2.1 Introduction**

*[Put a brief write up on the area you are reviewing]*

### **2.2 xxxx**

*[Insert any other information that you think may be important for a reader. If there is nothing, then you can delete the section]*

### **2.3 xxxx**

*[Insert any other information that you think may be important for a reader. If there is nothing, then you can delete the section]*

### **2.4 xxxxx**

*[Insert any other information that you think may be important for a reader. If there is nothing, then you can delete the section]*

### 3. Audit Findings and Recommendation

**3.1** **Xxxx** [Put the heading of the category e.g Asset Management, HR Management]

**3.1.1** **Xxxx** [Put the heading for the key finding]

#### Criteria

[Show the guiding sections/ clauses for the finding]

#### Finding

[Clearly highlight your finding. Use simple English. Be straight and to the point.]

[Select the relevant rating from below. Change the color of the rating depending on your assessment of the risk and delete the rest]

Rating	Critical
--------	----------

Rating	Significant
--------	-------------

Rating	Housekeeping
--------	--------------

#### Implication

[This answers the so what? Clearly highlight what will happen if this condition continues]

#### Recommendation

[Clearly make recommendations that will address the **root cause** of the finding. Be very specific about the responsible officials]

1. Xxx
2. Xxxx

#### Management Responses

Management Response	Agreed upon implementation Timelines	Responsible Person





Appendices

Appendix 1- Officials interviewed.

Name	Designation

Documents reviewed.

- Xxx
- Xxx
- Xxx

## Appendix 2- xxxxx

*[Each appendix should start on a new page. You can have as many appendices as you deem fit]*

# **Toolkit Twelve**

-

# **Internal Audit Completion Report**



## Republic of Namibia Internal Audit Manual

*Working Paper Ref:*

To,  
Director/ Head of Internal Audit  
Ministry of xx

Date:-

Dear Sir/madam,  
As per the letter number (.....), dated (.....), signed by (.....), audit of (.....) was conducted for the period of (.....), this report serves as Audit Completion Report for your information.

### Audit Team

S. No.	Designation	Name
1	Team Leader	
2	Deputy Team Leader	
3	Team member-1	
4	Team member-2	
5	Team member-3	

### Status of Audit Toolkits

S. No.	Particular	Status	Remarks
1	Strategic Planning		
2	Risk Based Annual Audit Plan (T1)		
3	Audit Notification Letter (T2)		
4	Entity/client Understanding (T3)		
5	Inception Meeting Minutes (T4)		
6	Engagement Letter (T5)		
7	Internal Audit Program (T6)		
8	Recording Audit Finding (T7)		
9	Audit Exit Meeting Minutes (T8)		
10	Internal Audit Report (T9)		
11	Internal Audit Completion Report (T10)		
12	Audit File Index (T11)		
13	OMAs/RCs Quarterly/ Annual Report template (T12)		
14	OMAs/RCs Client Feedback form (T13)		

### Audit Completion - Planned vs Actual Analysis

Audit Phase	Planned		Actual		Reason(s) for Deviation
	From	To	From	To	
Planning	[Date]	[Date]	[Date]	[Date]	
Field work	[Date]	[Date]	[Date]	[Date]	
Reporting	[Date]	[Date]	[Date]	[Date]	

### Audit Results

S. No.	Particular	Quantification
1	Number of new audit program(s) and compliance checklist(s) developed.	
2	Number of audit recommendation(s) given by auditors and accepted by Auditee Management	
3	Number of Audit Findings referred for further investigation	
4	Amount of loss identified and will be recovered as result of audit recommendation(s)	
5	Amount of loss identified but cannot be recovered as result of audit recommendation(s)	
6	Numbers of working days spent for audit	
7	Audit file submission date (for review)	
8	Total audit cost (travel, per diem, others)	
9	Others	

### Logistical, auditee cooperation and other matters which adversely affected the audit work.

S. No.	Matters	Future Plan to Address
1		
2		
3		
4		
5		

We are very thankful to the Management for assigning us to this audit, please let us know if any clarification is needed or if we could be of any further assistance.

Sincerely yours'

Name and Signature.

1  
2  
3  
4



## Annexure One (Internal Audit Completion report)

<b>1. Engagement conclusion review checklist</b>			
<b>Internal Audit Planning</b>	<b>Yes</b>	<b>No</b>	<b>Comment</b>
1. Was the engagement included in the approved annual plan?			
2. Was a risk assessment carried out in developing the audit program (taking into effect any new information received after the annual planning period and before the audit engagement planning period)?			
3.			
3.1 Was the audit program reviewed, approved, and filed?			
3.2 Does the program, detail the audit objectives, scope, risk assessment, methodology, staffing and resource allocation?			
4. Have all engagement staff completed independence assertions?			
5. Was the audit client given due notice?			
6. Was the entry meeting held prior to commencement of the audit? Have the entry meeting minutes been filed and circulated?			
7. Have audit client concerns been documented and considered in the audit?			
8. Has the client feedback form been circulated, and client responses received?			
<b>Audit performance and working papers</b>			
9. Has the criteria for the audit area been determined and documented (policy, law/ regulation, best practice, practice etc.)?			
10. Have all processes in the audit area been documented and controls identified?			
11. Have all process and control deficiencies (significant or not) been communicated and or raised in the audit working papers and, in the report?			
12. Have process gaps been identified and documented?			
13. Have the auditors obtained and filed sufficient, appropriate evidence to support the findings and conclusions in relation to the audit objectives? ****			
14. Have financial records referred to in the audit working papers been cross referenced and agreed to accounting information (ledgers, TB, budget etc.) and source documentation for samples selected?			
15. Have material inconsistencies identified been investigated, and communicated?			



1. Engagement conclusion review checklist				
Internal Audit Planning	Yes	No	Comment	
16. Have results of analyses performed been corroborated with alternative sources (corresponding departmental information, market information, regulators etc.)?				
17. Have the findings been discussed with the respective process/ risk owners to obtain causes for the exceptions?				
18. Has the exit meeting been held, and management comments and action plans obtained?				
<b>Audit Report</b>				
19. Does the audit report include a description of the audit objectives, scope, and methodology used to address the audit objectives?				
20. Does the report include all reportable issues with corresponding management comments?				
21. Have you checked the formatting of the report? <ul style="list-style-type: none"> <li>▪ Heading and lettering consistency</li> <li>▪ Consistent use of currency and unit</li> <li>▪ Consistent spacing</li> <li>▪ Consistent numbering sequence</li> <li>▪ Correct references to specific pages in the report</li> <li>▪ Correct spelling and grammar check</li> <li>▪ Report is dated (date of final draft)</li> <li>▪ Report serialized correctly (following from prior reports issued)</li> </ul>				
22. Has the report been distributed to all concerned stakeholders (management, Board etc.)?				
<b>Audit file compilation and archive</b>				
23. Was the approved audit plan and program signed off and filed?				
24. Has the audit file been compiled with required references been (to audit finding memos, audit evidence etc.)?				
25. Have all sections been documented appropriately and filed (planning, execution, conclusion)?				
26. Have all signoffs been done (preparer and reviewer) on all areas requiring signoff (audit program steps, audit evidence, audit issues etc.)?				
27. Have all review comments been addressed and closed				
28. Has the engagement been completed, the audit file closed, and engagement findings escalated to follow up status?				

Prepared by:

..... Name..... Signature .....Date

Reviewed by:

..... Name..... Signature .....Date

# **Toolkit Thirteen**

## **—**

# **OMAs/RCs Audit Client Feedback Form**

[Put on Letter Head]

**INTERNAL AUDIT UNIT**

**AUDIT CLIENT FEEDBACK FORM**

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Re: Internal Audit Feedback Survey

Dear XXXXX:

We recently performed an internal audit in your area. To continue to improve the level of service we provide our customers, we would appreciate your candid feedback on the attached Internal Audit Feedback Survey. We value the opinions of our clients and stakeholders and will use your feedback to continually evaluate the quality of our audit services. Please send the completed survey back to me by (date).

If you have any questions, please do not hesitate to call me at (phone number).

Sincerely,

CAE or Auditor



## INTERNAL AUDIT FEEDBACK SURVEY

AUDIT REPORT TITLE: \_\_\_\_\_

AUDIT CLIENT: \_\_\_\_\_

The rating scale provided below is from 5 (strongly agree) to 1 (strongly disagree).

	AUDIT QUALITY	5 Strongly Agree	4 Agree	3 Neither Agree nor Disagree	2 Disagree	1 Strongly Disagree	Not Done
1	Opening conference was held and all questions/comments were adequately addressed						
2	The final audit objectives and scope were agreed to.						
3	The audit team was knowledgeable about your business.						
4	The audit was completed within the timeframe communicated.						
5	The audit was conducted efficiently and effectively with minimal disruption to your business.						
6	The audit was conducted in a professional and courteous manner.						
7	The audit team kept you informed of key issues throughout the audit.						
8	All of your key business concerns/risks were addressed during the audit.						
9	The closing conference allowed both sides to adequately discuss and address all comments.						
10	The audit report was accurate and findings clearly communicated.						
11	The audit report fairly reflected your team's comments and corrective action.						
12	The overall audit provided value to your area						

Feel free to comment on any of the above questions.

What suggestions do you have to improve future audit quality?

Thank you for completing the above survey!

Please return by (Date).

## **Toolkit Fourteen**

-

### **OMAs/RCs Quarterly/ Annual Audit Report Template**

## [Put on Letter Head]

**Ref: XXXX**

**Date: .....**

The Hon. Minister of xx  
The Accounting Officer  
The Audit Committee

Dear Sirs,

### **Internal Audit Quarterly/ Annual Report for the xxx Quarter/ FY of 201X.**

Please find attached the report of the activities and initiatives that the Internal Audit Unit (IAU) has undertaken in the Quarter XXX/ FY of 20xx.

This report summarizes the activities and initiatives that have been taking place within the IAU during Quarter XXX/ FY of 201X.

This report is divided into the following sections;

- a) Status update on the planned audits for this quarter;
- b) Key audit findings and recommendations from the completed audits;
- c) Status update on the implementation of audit recommendations;
- d) Staff Capacity building initiatives during this quarter; and
- e) Other issues

We are grateful for the continued support that the IAU is getting from the Ministry and its development partners (tabulate recognition for positive remarks/hard work).

We do look forward to your continued support as we continue to work towards strengthening the capacity of the IAU so that it can ably fulfill its mandate given in the Internal Audit Charter.

Yours sincerely,

XXX  
OMA/ RC Director/ Head of Internal audit



## **1. Executive Summary**

### **Introduction**

*[This is an introduction of the contents and requirement for this report. Below is an introduction that can be used]*

This report highlights the work of the IAU for the Quarter XXx of 20xx.

As per the Audit Charter, the IAU has the responsibility of submitting Quarterly/ Annual Reports of its activities to the Minister/Board and Accounting Officer.

This report highlights the progress against the approved annual plan; the status of implementation of the audit recommendations as well as other issues that are important for the IAU.

### **Head of Internal Audit Opinion on the Audited Directorates/Divisions/Departments/Units.**

[Include a summary on the key internal control issues found during the audits conducted.]

## 2. Status update on the planned audits for this quarter/ Year

[In this section, IAU should report on the progress being made in conducting the audits as per the approved annual plan. Therefore, this section gives an update on the planned audits.]

Below is the status update on the planned audits for this quarter as per the approved IAU Annual Plan;

	Directorate	Audit Area	Status of Audit	Comments
1	[Put the name of the Directorate audited. E.g Immigration Directorate]	[Put the area audited. E.g. Passport Revenue Audit]	[This can include- Draft report; Final Report; Fieldwork e.t.c]	[IAU should explain any issues/ give progress update on the status of the audit. E.g Draft report has been submitted to auditee for their response]
2				
3				
4				
4				
5				
6				

3. Key Audit Findings and Recommendations from the completed audits

For the audits conducted and completed during this quarter, the following are the key issues noted, and the recommendations made to further strengthen the internal controls in place;

Directorate	Audit conducted	Report Rating	Key Findings	Summary Recommendations	of
1	[Put the name of Directorate audited]	[Put the type of audit done E.g Procurement Audit]	1. [Rating can be either of the following- Critical, High, Medium Low];	1. [Input the key findings from the audit]	1. [Input the key recommendations made]
2			2.	2.	2.
			3.	3.	3.
			4.	4.	4.
			1.	1.	1.
			2.	2.	2.
			3.	3.	3.
			4.	4.	4.
3			1.	1.	1.
			2.	2.	2.
			3.	3.	3.
			4.	4.	4.
4			1.	1.	1.
			2.	2.	2.
			3.	3.	3.
			4.	4.	4.

A description of the Report ratings is shown as an Appendix.



#### 4. Status update on the Implementation of Audit Recommendations (Results of Monitoring)

As part of the audit plan, the IAU conducts Follow-ups to ascertain the status of implementation of the agreed upon audit recommendations by the auditees.

##### 4.1 Results of the monitoring

During this quarter, a number of follow up audits were conducted. Details of the level of implementation of the agreed upon audit recommendations by the various auditees are provided below;

Directorate Audited:	Audit Area	Number of Agreed Actions	Status of implementation of agreed actions		
			Implemented	Ongoing	Outstanding
1	[Put the name of audited E.g Procurement Audit]	[Put the total number of agreed upon recommendations s. E.g. 6]	[Put the number of audit recommendations that have been fully implemented E.g. 2]	[Put the number of recommendations that are in the process of being implemented E.g 1]	[Put the number of recommendations not yet implemented as agreed timelines. E.g 2]
2					
3					
4					

##### 4.2 Proposed Recommendations for ensuring that the audited directorates implement the recommendations.

[IAU should highlight what needs to be done to make the concerned directorates to take action in implementing the audit recommendations]

## 5. IAU Staff Capacity Building Initiatives undertaken during the Quarter

*[Please give an introduction on IAU's view on staff training and what is happening in this area]*

We are committed to ensuring that the Internal Auditors are well equipped to efficiently and effectively conduct their work as per the audit charters. It should be noted that currently, from the assessment done, the IAU's capacity to perform according to the international standards is still low. Therefore, there is a need to make training a priority for the auditors.

Below is the status update on the various trainings that IAU staff attended;

### 5.1 Short term trainings

*[Please report on the training that staff attended]*

Details are provided below;

	Course		Training Sponsor	Location	No. of staff that attended
1					
2					
3					
4					

### 5.2 Long term trainings

*[Please report on the status of this. You can give a progress update on the UNAM/NUST/NIPAM/IIASA Training]*

## 6. Other activities undertaken by the IAU during this quarter/ year

*[Please report on all other activities that IAU has undertaken during the quarter. This can include any requests by the Minister or other directorates, as well as any Ministry-level activities. If there are no activities to report on, this section can be deleted.]*

During this quarter, IAU was involved in the following activities;

	Activity	Comments
1		
2		
3		
4		

## 7. Key challenges being faced and recommended support needed from the Minister

*[If there are any challenges that IAU is facing, these should be brought to the attention of Minister. IAU should also give recommendations on how it can be supported to overcome these challenges. If there is nothing to report on, this section can be deleted.]*







## Appendix 1- Basis of Classifications of the IAU Individual Audit reports

Every completed audit report of the IAU has to be classified. The classification of the report is determined by the points allocated to each of the audit findings in the report. The Report can be classified as either- Critical, High, Medium or Low

Below are the recommended points to allocate to each audit finding rating in the audit report;

Finding Rating	Points
<b>Critical</b>	40 points per finding
<b>High</b>	10 points per finding
<b>Medium</b>	3 points per finding
<b>Low</b>	1 point per finding

Having computed the total points from all the audit findings in the report, the Report can be classified as either- Critical, High, Medium, or Low- depending on the total number of points in the report. Below is the classification for the report based on the total points from the audit findings;

	Report Classification	Points
	<b>Critical Risk</b>	40 points and over
	<b>High Risk</b>	16– 39 points
	<b>Medium Risk</b>	7– 15 points
	<b>Low Risk</b>	6 points or less

## Appendix 2- Basis of Classifications of the Individual Findings Ratings

Below is the recommended best practice for classification of individual audit findings;

Finding Rating	Assessment Rationale
<b>Critical</b>	A finding that could have a: <ul style="list-style-type: none"> <li>▪ <b>Critical</b> impact on operational performance; or</li> <li>▪ <b>Critical</b> monetary or financial statement impact; or</li> <li>▪ <b>Critical</b> breach in laws and regulations that could result in material fines or consequences; or</li> <li>▪ <b>Critical</b> impact on the reputation or brand of the directorate which could threaten its future viability.</li> </ul>
<b>High</b>	A finding that could have a: <ul style="list-style-type: none"> <li>▪ <b>Significant</b> impact on operational performance; or</li> <li>▪ <b>Significant</b> monetary or financial statement impact; or</li> <li>▪ <b>Significant</b> breach in laws and regulations resulting in significant fines and consequences; or</li> <li>▪ <b>Significant</b> impact on the reputation or brand of the directorate/ area being audited.</li> </ul>
<b>Medium</b>	A finding that could have a: <ul style="list-style-type: none"> <li>▪ <b>Moderate</b> impact on operational performance; or</li> <li>▪ <b>Moderate</b> monetary or financial statement impact; or</li> <li>▪ <b>Moderate</b> breach in laws and regulations resulting in fines and consequences; or</li> <li>▪ <b>Moderate</b> impact on the reputation or brand of the directorate/ area being audited.</li> </ul>
<b>Low</b>	A finding that could have a: <ul style="list-style-type: none"> <li>▪ <b>Minor</b> impact on the organization's operational performance; or</li> <li>▪ <b>Minor</b> monetary or financial statement impact; or</li> <li>▪ <b>Minor</b> breach in laws and regulations with limited consequences; or</li> <li>▪ <b>Minor</b> impact on the reputation of the directorate/ area being audited.</li> </ul>
<b>Advisory</b>	A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.

## **GLOSSARY**

**Add Value:** The internal audit activity adds value to the organization (and its stakeholders) when it provides objective and relevant assurance, and contributes to the effectiveness and efficiency of governance, risk management, and control processes.

**Ad-hoc assignment (management requests):** Audit work that has been formed or used for a special and immediate purpose, without previous planning.

**Advisory services (Consulting Services):** Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organization's governance, risk management, and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation, and training.

**Assurance Services:** An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the organization. Examples may include financial, performance, compliance, system security, and due diligence engagements.

**Audit Committee:** A governing body to provide much needed independent review and oversight of the government's financial reporting processes, internal controls and internal audit.

**Audit and Risk Committee:** oversees the roles and responsibilities of the Internal Audit Unit, specifically relating to providing assurance, oversight of reporting and disclosure processes.

**Audit universe:** It is a collection of potential audit activities to be performed by the Internal Audit Unit.

**Board:** Highest level body charged with governance, such as:

- A board of directors
- An audit committee
- A board of governance or trustees.
- A group of elected officials or political appointees
- Another body that has authority over the relevant governance functions

In an organisation that has more than one governing body, "board" refers to the body/bodies authorized to provide the internal audit function with the appropriate authority, role, and responsibilities.

If none of the above exist, "board" should be read as referring to the group or person that acts as the organization's highest-level governing body. Examples include the head of the organization and senior management.

**Centralized:** An activity controlled by a single authority and managed in one place.

**Charter:** The internal audit charter is a formal document that defines the internal audit activity's purpose, authority, and responsibility. The internal audit charter establishes the internal audit activity's position within the organization; authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

**Chief Regional Officer:** is responsible for all administrative processes, including those of all constituencies, settlements and delegated functions in the region.



**Code of Ethics:** The Code of Ethics of The Institute of Internal Auditors (IIA) are Principles relevant to the profession and practice of internal auditing, and Rules of Conduct that describe behaviour expected of internal auditors. The Code of Ethics applies to both parties and entities that provide internal audit services. The purpose of the Code of Ethics is to promote an ethical culture in the global profession of internal auditing. **International Standards for the Professional Practice of Internal Auditing (Standards)**

**Competency:** Internal Auditors apply the knowledge, skills and experience needed in the performance of Internal Audit services.

**Compliance:** Adherence to policies, plans, procedures, laws, regulations, contracts, or other requirements.

**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.

**Conflict of Interest:** Any relationship that is, or appears to be, not in the best interest of the organization. A conflict of interest would prejudice an individual's ability to perform his or her duties and responsibilities objectively.

**Control:** Any action taken by management, the board, and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organizes, and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.

**Control Processes:** The policies, procedures (both manual and automated), and activities that are part of a control framework, designed and operated to ensure that risks are contained within the level that an organization is willing to accept.

**Coordinating:** The process of organising all Internal Auditors in OMAs/RCs so that they work together and well.

**Core Principles for the Professional Practice of Internal Auditing:** Are the foundation for the International Professional Practices Framework and support internal audit effectiveness.

**Decentralized:** process by which the activities of an organization are distributed or delegated away from a central authoritative location or group.

**Due diligence:** An investigation, audit or review performed to confirm facts or details of a matter under consideration.

**Engagement:** A specific internal audit assignment, task, or review activity, such as an internal audit, control self-assessment review, fraud examination, or consultancy. An engagement may include multiple tasks or activities designed to accomplish a specific set of related objectives.

**International Standards for the Professional Practice of Internal Auditing (Standards)**

**External Assessments:** These are assessments that must be conducted at least once every five years by an independent assessor or assessment team from outside the OMAs/RCs that is qualified in the practice of Internal Auditing as well as the quality assessment process.

**Fraud:** Any illegal act characterized by deceit, concealment, or violation of trust. These acts are not dependent upon the threat of violence or physical force. Frauds are perpetrated by parties and

organizations to obtain money, property, or services; to avoid payment or loss of services; or to secure personal or business advantage.

**Governance:** The combination of processes and structures implemented by the board to inform, direct, manage, and monitor the activities of the organization toward the achievement of its objectives.

**Head of Internal Audit (Chief Audit Executive):** Head of Internal Audit describes the role of a person in a senior position responsible for effectively managing the internal audit unit in accordance with the internal audit charter and the mandatory elements of the International Professional Practices Framework. The specific job title and/or responsibilities of the chief audit executive may vary across OMAs/RCs.

**Independence:** The freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner.

**Inherent risk:** the combination of internal and external risk factors in their pure, uncontrolled state, or the gross risk that exist assuming there are no internal controls in place.

**Integrity:** The integrity of Internal Auditors establishes trust and thus provides the basis for reliance on their judgement.

**Internal Assessments:** These are comprised of two interrelated: Ongoing monitoring and periodic self-assessments.

**Internal Audit Unit:** A department, division, team of consultants, or other practitioner(s) that provides independent, objective assurance and consulting services designed to add value and improve an organization's operations. The internal audit unit helps OMAs/RCs accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.

**Internal controls:** A process effected by entities management and other personnel designed to provide reasonable assurance regarding the achievement of objectives in the categories, - effectiveness and efficiency of operations, compliance with applicable laws and regulations.

**International Professional Practices Framework:** The conceptual framework that organizes the authoritative guidance promulgated by the IIA. Authoritative guidance is composed of two categories – (1) mandatory and (2) recommended.

**Legislation:** one of Namibia's three branches of government with a primary task of making laws.

**Objectivity:** 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.

**Public Finance Management Bill:** To regulate financial management in the national and regional government; to ensure that all revenue, expenditure, assets and liabilities of those government are managed efficiently and effectively.

**Quality Assurance and Improvement Program:** is designed to enable an evaluation of the Internal Audit Activity's conformance with the standards and an evaluation of whether Internal



Auditors apply the code of ethics. The program also assesses the efficiency and effectiveness of the Internal Audit Activity and identifies opportunities for improvement.

**Regulations:** these are rules, guidelines and instructions for doing something right.

**Regulatory framework:** Legal mechanisms that exist on national and international levels. They can be mandatory and coercive or voluntary.

**Residual risk:** the portion of inherent risk that remains after management executes its risk responses (sometimes referred to as net risk).

**Risk:** The possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.

**Risk Management:** A process to identify, assess, manage, and control potential events or situations to provide reasonable assurance regarding the achievement of the organization's objectives.

**Significance:** The relative importance of a matter within the context in which it is being considered, including quantitative and qualitative factors, such as magnitude, nature, effect, relevance, and impact. Professional judgment assists internal auditors when evaluating the significance of matters within the context of the relevant objectives.



