

KABALE UNIVERSITY
DIRECTORATE OF INTERNAL AUDIT



INTERNAL AUDIT MANUAL

2020

LIST OF ACRONYMS

ACFE	Association of Certified Fraud Examiners
CAATs	Computer Assisted Audit Techniques
CPE	Continuing Professional Education
DIA	Director Internal Audit
DVC(F&A)	Deputy Vice Chancellor Finance and Administration
ICT	Information and Communications Technology
IIA	Institute of Internal Auditors
IPPF	International Professional Practices Framework
KPIS	Key Performance Indicators
KAB	Kabale University
MOU	Memorandum Of Understanding
RBIA	Risk Based Internal Audit
RI	Risk Index
VC	Vice Chancellor

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FOREWORD

Kabale University has an obligation and commitment of ensuring systems, processes and controls are effective and efficient. The Directorate of internal Audit is a key component of the internal control system that is strategically positioned to contribute to the effective functioning of the University. The internal Control system is part of the performance management framework where audit reviews and assesses the level of performance and compliance against agreed measures, targets and objectives.

The Internal Audit Manual provides a stop Centre for internal audit guidance which will go a long way in assisting Management, Audit Committee and University Council in ensuring effective, efficient, economical and ethical university operations. The reviews and assessments carried out are preventative, corrective and deterrent measures aimed at ensuring University objectives are achieved.

I sincerely thank the Audit Committee and Audit Team for their tireless efforts and energies to have the Internal Audit Manual produced. I implore you to use this manual for improving the delivery of audit services in the University.

Prof. Joy C. Kwesiga
VICE CHANCELLOR

CHAPTER ONE:

BACKGROUND

1.0. Brief about Kabale University

The Idea of Kabale University was born way back in 1995 under the umbrella of the Kigezi Development Association. In 1999, Kabale District Local Government signed and sealed a commitment deed confirming its donation of land in Kabale Municipality for the development of Kabale University. This contribution was fifty-three (53) acres of land and the developments on it at Kikungiri Hill and Nyabikoni. In the same year, an application to operate Kabale University as a centre of higher learning was submitted to the Ministry of Education and Sports (MoES). Kabale University is located on Plot 364 Block 3 Kikungiri Hill, in Kabale Municipality, about a kilometre off Kabale-Katuna-Kigali Highway. The University can be accessed via Mukombe Road, which connects the Kikungiri Campus to the Highway. An additional Campus is located on Plots 66-76 in Nyabikoni Parish in the Central Division of Kabale Municipality. The University was established as a not-for-profit community institution, owned by the people of Kigezi. The University opened its gates in 2002 to forty-two (42) students and presently has an enrolment of about 3000 students: coming from all parts of Uganda, and the neighbouring countries of Kenya, Tanzania, Rwanda, Burundi, Congo (DRC) and South Sudan.

In 2015, Kabale University was transformed from a private to a public University under Statutory **Instrument No. 36** of 16th July 2015, under the Universities and Other Tertiary Institutions Act 2001 (as amended). Prior to this change in legal status, the University had obtained a Charter in 2014 (Certificate No. UI.CH.008) – the last stage of accreditation by the Uganda National Council for Higher Education. Kabale University is therefore a unique institution in Uganda, enjoying the status of being the first institution of its kind to transform from private to public. Kabale University has great potential of being the leading university in the Great Lakes Region, given its location and opportunity of offering quality education to the Anglophone and Francophone parts of the region, thereby enhancing social and economic integration.

1.1. Internal Audit

1.1.1 Definition

Internal Auditing is “an independent, objective assurance and consulting activity designed to add value and improve an organization’s operations” (IIA). It assists the University in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

1.1.2. Mandate

The authority of the internal audit function is enshrined in the Public Finance Management Act, 2015. The Directorate of Internal Audit derives its mandate and authority from the University Council. Its functions, activities and operations are defined in an internal audit charter. The University Council by policy establishes and supports Internal Audit as an independent appraisal function to examine and evaluate University activities/operations as a service to management and Council of University.

1.1.3. Audit activities

Best practice recommends that internal audit carries out risk-based audits. Risk based Internal Auditing (RBIA) is an internal methodology which is primarily focused on the inherent risk involved in the activities or system and provide assurance that risk is being managed by the management within the defined risk appetite level. RBIA allows internal audit to provide assurance to Management and University Council that management processes are managing risks effectively, in relation to the risk appetite.

A risk-based audit approach is designed to be used throughout the audit to efficiently and effectively focus the nature, timing and extent of audit procedures to those areas that have significant impact on the performance of the entity.

Pre-audit activities on other hand involve review of transactions prior to their conclusion. Pre audit activities cover review of payments, verifications of deliveries, pay change reports, accountabilities, witnessing hand-overs, attending construction site meetings among others.

1.1.4. Purpose and Use of Internal Audit manual

The Internal Audit manual has been carefully made as a one stop centre for all internal audit guidance by consolidating all key separate policies and guidelines into one solid manual. The separate policies, procedures and guidelines that have been consolidated into this manual include; Internal Audit Charter, Audit Committee charter, Code of ethics, Audit standards among others. The manual has been beefed up with illustrations and demonstrations to make it easier to follow. In developing the audit manual, consultations were made within the University structures, other public universities within Uganda and abroad and made reference to best internal audit practices.

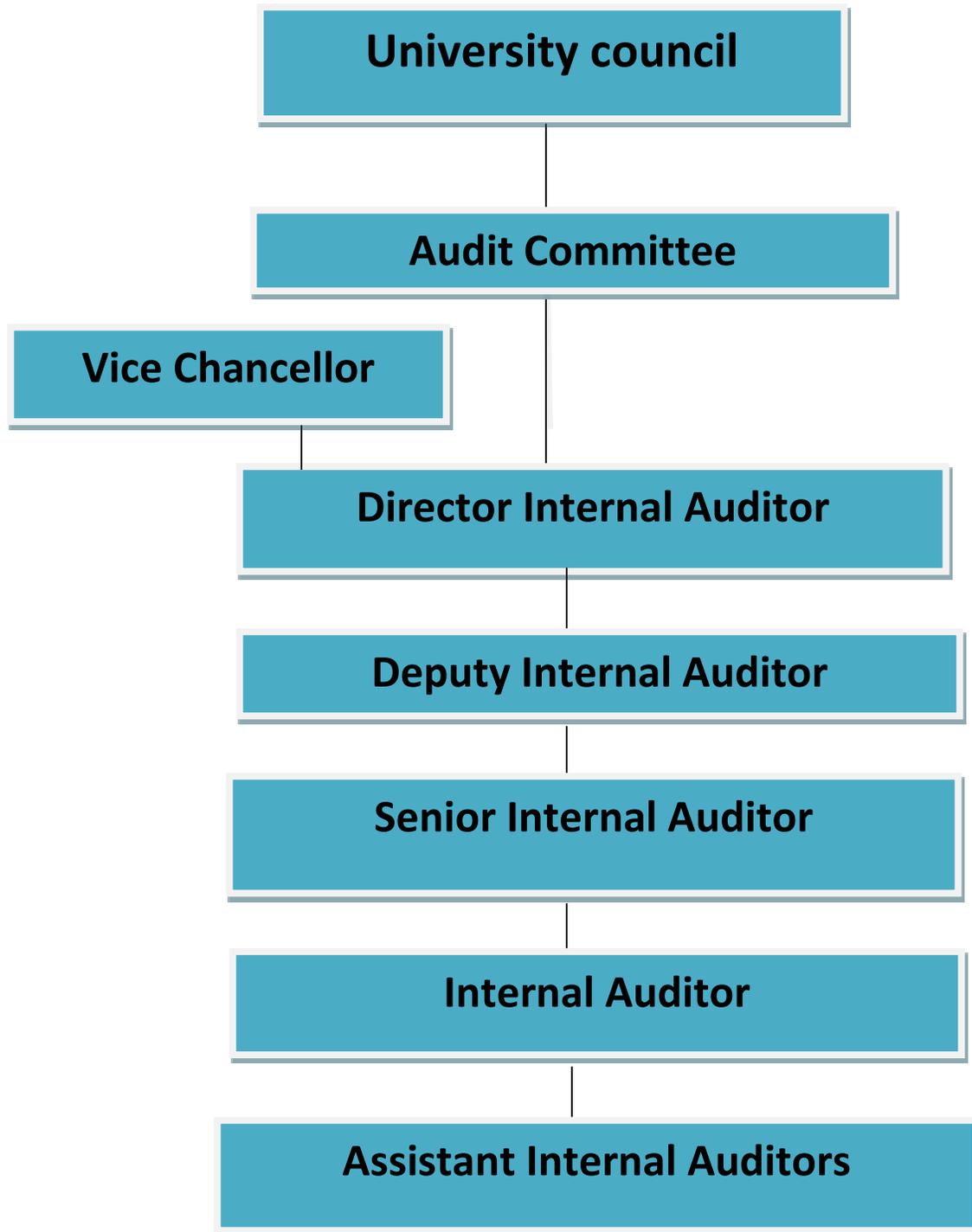
The Internal Audit manual shall apply to all staff, students and agents of the University, who conduct, manage or oversee University resources.

1.1.5. Interpretation and review of Internal Audit Manual

The Director Internal Audit shall be the contact person for interpretation and /or when additional guidance is required. Any audit related issues not addressed by this manual shall be referred to the Director Internal Audit or handled in consultation with the Director Internal Audit.

Review of the manual shall be as and when need arises and any suggested amendments shall be communicated to the Director Internal Audit who shall through the Audit Committee of Council present the amendments to University Council for Approval.

**CHAPTER TWO:
INTERNAL AUDIT STRUCTURE**



CHAPTER THREE

RISK ASSESMENT

3.0. Introduction

Risk Assessment is a process of identifying, analyzing and evaluating relevant risks associated with the achievement of control objectives of the University. Risk assessment is a responsibility of management and assists Internal Audit in the development of strategic and annual plans. Risk assessment helps in the development of audit universe, identification of strategic and operational risks and guiding in developing audit plans.

Risk is the possibility of an event occurring that will have an impact on the achievement of the entity's intended objectives. Risk is measured in terms of likelihood and impact. Types of risk include; inherent and residual risks. Inherent risk refers to the underlying risk before any controls are applied to mitigate the risk whereas residual risk are the risks that remain after management has taken action to reduce the impact and likelihood of risk occurring.

3.1. Objectives of Risk Assessment

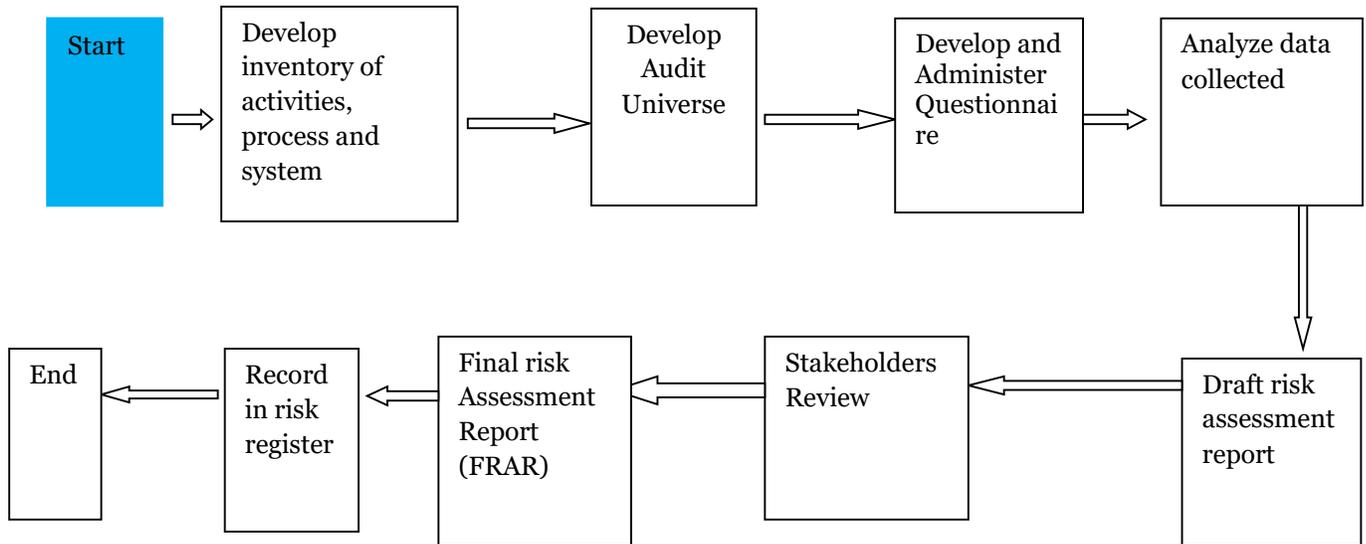
A primary objective of risk assessment is to identify the risks that are faced by the University. Upon identification, risks will be ranked as low, medium or high. This assessment helps internal audit to prioritize auditable areas to be incorporated in the annual audit plan.

3.2. Responsibilities of risk assessment

Risk assessment is a responsibility of management and not internal audit. However, internal audit may collaborate with management efforts in conducting risk assessment or where risk assessment is not done by management; internal audit may carry out the assessment as a basis to develop its strategic and annual audit plans.

3.3. Risk assessment audit process

Where Internal Audit is to carry out the risk assessment, the following procedures shall be followed.



- a) Developing inventory of all University activities, processes and systems that account for the risks. These shall be obtained from University policy documents, manuals, reports, rules and regulations etc.
- b) Use information obtained from (1) above to develop an audit universe. **Appendix 2; format of audit universe**
- c) Develop and administer risk assessment questionnaire to all key university stakeholders; these may include members of Council, Audit Committee, Management and Audit Staff etc.
- d) Analysis of data collected; the questionnaire shall cover all key areas or activity or processes or systems of the University with each area having sub –areas to rate on the likely hood of occurrence and impact scaled as “H =3, M=2, and L=1 where H shall stand for high, M for medium and L for low. **Appendix 3; Format of risk assessment questionnaire.** The risk index shall be computed by getting the sum of the product of likelihood and impact by attribute row and by section column and dividing by the product by the number of questions in the area and questionnaires entered.

Risk Index (RI)

$$= \Sigma \Sigma (\text{Likelihood} \times \text{impact})$$

(Section questions x questionnaires entered)

The risks shall be graded in the three categories as below;

RISK INDEX	RISK RATING
1.00-3.00	Low
3.01-6.0	Medium
6.01-9.0	high

- a) Develop draft risk assessment report.
- b) Present report for stakeholders' review and in put
- c) Produce final risk assessment report
- d) Record all risks in the risk register

All the risks will be recorded in a risk register. A risk register is a record of all risks that have been identified and ranked. A risk register should be regularly updated with new and emerging assessed risks. The risk register should guide management on setting the University risk appetite.

Risk assessment report and register should guide in the developing of the strategic and annual audit plan. Priority should be given to high risk areas, then medium and then low risk areas.

CHAPTER FOUR

AUDIT PLANNING

4.0. Introduction

Planning establishes feasibility of the assignment and direction of the review, and helps define the extent of fieldwork necessary to complete review objectives. Proper planning also helps to ensure the department's compliance with IIA standards and the review performed is of the highest possible quality.

4.1. Standards in relation to audit planning

IIA standard 2000 - Managing the Internal Audit Activity require the Director Internal Audit to effectively manage the internal audit activity to ensure it adds value to the organization.

IIA standard 2010 – Planning, requires the Director Internal Audit to establish risk-based plans to determine the priorities of the internal audit activity, consistent with the University's goals.

IIA standard 2010.A1-The internal audit activity's plan of engagements must be based on a Documented risk assessment, undertaken at least annually. There are three levels of audit planning namely;

1. Strategic planning
2. Annual planning
3. Engagement (Activity) planning.

4.1.1. The Strategic Audit Plan

This is long term in nature and will be done every five years. The strategic audit plan shall contain the entire audit universe highlighting audit activities that will be carried out frequently like twice a year, once a year, once in two years, once in five years and so on. The director internal audit is responsible for ensuring that the strategic audit plan is developed and operationalized.

4.1.2. Procedures for developing strategic plan

a) Get familiar with University operations

The Directorate of Internal Audit shall gather and analyze information on University's mandate, objectives, strategies, relevant laws, university policies and procedures and other support systems. This is documented to inform strategic planning process.

b) Control environment

The control environment is the foundation for internal control system. The understanding of control environment helps to assess whether or not controls in place are adequate to achieve university objectives. Governance structure such as Council, Senate, Council committees, Management structures, collegiate system, up country and distance centres equally form the key parts of the control environment. Coordination and measurement systems, budgeting system, accounting system, administrative systems, human resource systems, procurement systems, and quality assurance systems etc also form part of the control environment. The Understanding of the university operations and the control environment helps to carry risk assessment (covered in Chapter 6) that lead to gathering information on the entire audit universe.

4.2. Components of the strategic plan

a) Strategic plan audit objectives

This section shall provide broad audit objectives and directions for audit focus in the next five years including limitations.

b) Methodology for developing strategic plan

This section covers approach in developing the strategic plan. Consultations with key stakeholders will be held during strategic plan development process.

c) Summary of control environment

This section summarizes issues and trends in strategic control environment and may cover key considerations: -

- (i) Key drivers and trends impacting on university objectives.
- (ii) Effectiveness of Governance structures
- (iii) Policies, procedures and strategies in place to achieve university objectives

- (iv) Existing regulatory and policy framework
- (v) Vision, mission, core values of the university
- (vi) Perceptions of stakeholders
- (vii) Fraud and errors reported

d) Internal Audit Management strategies

This section documents strategies to address short term and long term audit needs of the Directorate and describes the current audit capabilities and resources.

e) Audit work implementation and coverage

This area documents major audit focus areas for the period and ways to deal with any emerging issues to ensure the planned activities remain relevant for the strategic direction of University.

f) Allocation of audit resources

This section details the relative allocation of financial, human and other resources between technical auditing, audit support and any audit related activity over the life of the strategic plan including the provision for outsourcing where necessary.

g) Audit performance measures

This section lists the performance measures that shall be used to measure the performance towards the achievement of strategic plan and any change in measures or targets over time.

h) Review of the strategic plan: -

This section describes the timeframe and arrangements for the review and update of the plan. The plan covers a five -year period and will be evaluated at the beginning of year three.

4.3. Annual planning

The Annual Audit Work Plan shall operationalize audit areas of the Strategic Plan for one financial year. As part of Annual audit planning, review shall be made of the control components for any changes, new systems and processes, and the results obtained shall be given attention among the top key audit issues and the university's priorities. The annual audit plan shall be approved by the Audit Committee not later than 30th June each year.

4.3.1. Components of the annual plan

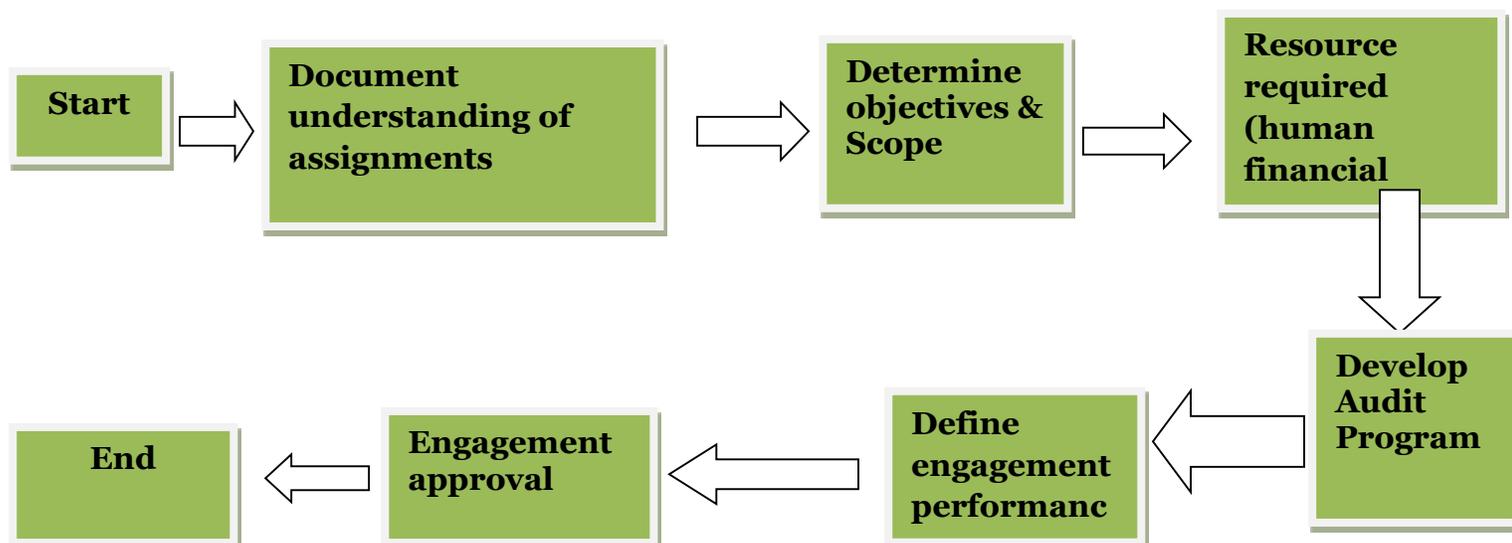
The annual audit plan shall take any format but at minimum shall cover the following aspects; audit area, audit description, expected benefit, priority of the audit area, audit duration, available resources (staff and financial) and reporting.

4.4. Engagement (activity) planning

Audit engagement planning is the third stage of planning, after strategic planning and annual planning. It involves focusing on guiding how a particular audit activity based on the annual work plan will be carried out. The aim of engagement planning is to ensure that the audit engagement is completed timely, systematically without compromising its quality. It is therefore important that at engagement planning audit efforts and resources are directed to the key issues that matter most. Audit engagement planning is the most important part of the audit as the success of an audit depends on how well it has been planned. The director internal audit shall constitute audit teams. Each team shall have a team leader and team members. The team shall be responsible for;

- a) Understanding the control environment and the organization in relation to the area to be audited.
- b) Establishing the objectives and scope of the audit
- c) Establishing the basis for budgeting (time, cost, personnel)
- d) Identifying the evidence required to develop the audit findings
- e) Assisting in choosing/determining the audit procedures (nature, extent and timing)
- f) Establishing the basis for coordinating with the audit team and the client staff.
- g) Facilitating the Audit team to carry-out the assignment.

STEPS FOLLOWED IN PLANNING AN AUDIT ENGAGEMENT



- a) **Document understanding of the audit of the assignment.** The section contains preliminary review or survey detailing the understanding of internal control system, management structure, general operations, support systems and processes in regard to the area to be audited.
- b) Determine the audit objective, scope, criteria and type of audit evidence required;
 - (i) **Audit Objective;** An audit objective is what an audit engagement aims to achieve. It can also relate to why the audit is being conducted. It is normally expressed in terms of milestones the audit is expected to achieve about the activity under review. E.g. validate reported achievements of a program like (revenue) or evaluate internal control effectiveness in fuel management.
 - (ii) **Audit Scope** Audit scopes are the frameworks or limits of the audit. It is normally defined by stating what the audit intends to cover and the relevant timeframes. E.g., define the period the audit will cover (Validate revenue collections in the last financial year) and time estimated to complete the audit assignment (3weeks).
 - (iii) **Audit criteria;** Audit criteria are reasonable standards against which existing conditions are assessed. They reflect a normative condition for the subject of the audit. These are expectations of the program or project as to what should be. It includes statutory and/or managerial requirements; process

requirements; and best practices. To be able to come up with sound criteria, the auditor must: Gather/Identify the standards (laws, regulatory policies) for audit evaluation; and set reasonable and attainable standards of performance, statutory or managerial policies for evaluation

- (iv) **Audit evidence;** Identify and document pieces of audit evidence required to support information that will be required e.g. for verification of ownership of asset, document of titles is required and checked against specifications of the asset.
- c) Determine the resources required for the audit such as human, financial, tools, techniques and the target milestones/dates. This involves the determination of the overall resource requirements to accomplish the planned audit, assessing the current staff capability/capacity; technological resources (e.g. computers, software); financial resources (budget requirements), among others. Keep track of target milestones/dates for the completion or accomplishment of critical elements of the audit engagement and the quality of output.
- d) Develop the audit programs
- e) Determine the Key Performance Indicators (KPIs) of the audit assignment KPIs are determined during audit engagement stage to help in ensuring that;
 - (i) Audit findings and recommendations are in line with audit objectives
 - (ii) Findings and recommendations are based on facts and substantial evidence
 - (iii) The audit is conducted in compliance with International Professional Practices
 - (iv) Framework (IPPF), any ethical considerations of employees are being observed.
- f) Approval of the audit engagement plan. The Director Internal Audit shall approve the audit engagement plan

CHAPTER FIVE

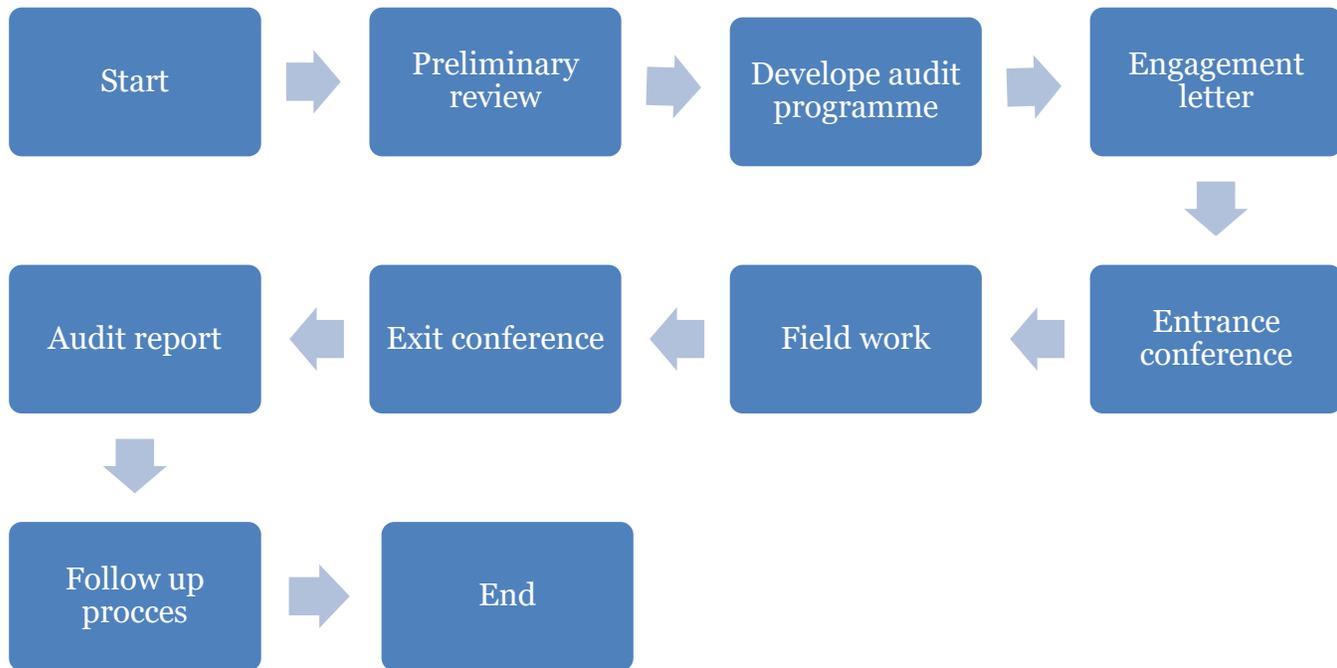
THE AUDIT PROCESS

5.0. Introduction

The audit process includes steps to guide audit staff to systematically execute their audit assignments. The process involves; preliminary reviews/survey, audit program development, communication to the Unit Head of the intended audit, opening conference, fieldwork, exit conference, report writing and follow-up issues.

This process is in line with the International Standards for the Professional Practice of Internal Auditing, issued by (IIA).

5.1. The Audit Process



5.2. Preliminary Review

Every audit will include a preliminary survey to gather information on the activity being examined and assess risks. The focus of the survey will vary depending upon the nature of the engagement.

A survey may involve use of the following procedures:

- a) Discussions with the audit client.
- b) Interviews with individuals affected by the activity, e.g., users of the activity's output.
- c) On-site observations.
- d) Review of management reports.
- e) Analytical auditing procedures.
- f) Flowcharting.
- g) Functional "walk-through" (tests of specific work activities from beginning to end).
- h) Documenting key control processes, activities and weaknesses.
- i) Consideration of the probability of significant errors, irregularities, noncompliance, and other exposures.
- j) Assessing risks relevant to the activity under review.

As part of the preliminary survey, the Directorate of Internal Audit will obtain background information for the activity to be audited. This may include reviewing and documenting such items as the following: -

- a) Vision, mission, objectives, and goals of the audited activity.
- b) Policies, plans, procedures, laws, regulations, and contracts which could have a significant impact on operations and reports.
- c) Unit/area information, e.g., services provided, number and names of employees, key employees, job descriptions, and details about recent changes in the organization, including major system changes and number of students.
- d) Budget information, operating results, and financial data of the activity to be audited.
- e) Prior audit working papers.

- f) Results of other audits, including the work of external auditors, completed or in process.
- g) Correspondence files to determine potential significant audit issues.
- h) Authoritative and technical literature appropriate to the activity.

5.3. Audit Program Development

The Audit Team Leader shall develop audit program, detailing each of the engagement steps to be performed during the course of the audit review. Audit programs may vary in form and content depending on the nature of engagement. The audit program will include; the audit objectives, scope, timing, resources, respective responsibilities and other audit client's expectations.

Each of the steps in the program will be cross-referenced to the corresponding working paper to show evidence of the work performed. The audit program is a key document and should be located in the working paper file.

The audit program shall be reviewed by the Director Internal Audit before communication is made to the Unit Head.

5.4. Engagement Letter

An engagement letter is a defining document setting out the responsibilities and obligations of the auditor and the Unit Head. The head of the unit/area to be audited (the 'auditee') is contacted by the Director of Internal Audit in writing before the audit is scheduled to start. The letter specifies the proposed date for the entry conference and the audit program. The time of the notice will be a minimum of five days.

5.5. Entrance Conference

An entrance conference is a meeting of the Audit Team and the Unit Management of the Unit scheduled for audit. The Unit Head shall invite key personnel of the unit for the conference. The following may be discussed in the entrance conference.

- a) The purpose of the audit.
- b) Planned audit objectives.
- c) Key contact persons to provide information for the audit.
- d) The process of communicating throughout the audit

- e) Others; Methods, Time frames, Key contact persons during the audit, working arrangements and required documents and other information.
- f) Input from the unit management is welcomed at this stage, particularly with reference to any known concerns or areas of potential internal control weakness.
- g) Minutes of the conference will be prepared and retained in the audit working paper's file.

5.6. Field Work

Field work addresses the objectives of the audit and is carried out by the audit team headed by a Team Leader. Primarily, the audit is executed in line with the audit program developed. Field work activities involve; data collection, recording, testing, evaluation & analysis, making conclusions and recommendations. The engagement team is not expected to address all information that may exist as they may use sampling approaches and other means of selecting items for testing. The team may find it necessary to rely on evidence that is persuasive rather than conclusive.

Interaction with the unit management will be undertaken continuously to obtain all the necessary documents and clarifications. Audit progress shall be discussed amongst the team to ensure that the objectives are achieved, challenges are addressed and work is finished in the stipulated time frame.

It further establishes the procedures for identifying, analyzing, evaluating, and recording information during the engagement.

5.7. Exit Conference

A formal communication by the Director Internal Audit of the exit meeting will be sent to the Unit Head. An exit conference shall be held to discuss a draft document summarizing preliminary findings/results of the audit and any concerns that may have arisen. Those attending the conference will include; a team from Internal Audit and a team from the audited unit.

The exit conference provides an opportunity to resolve any questions the audit client may have about the concerns raised and to address any other issues before the audit report is finalized.

Minutes shall be captured for this meeting to form part of the working paper documents.

5.8. Audit Report

The initial draft audit report summarizing the audit work done shall be prepared by the Team Leader, reviewed and issued by the Director Internal Audit to the Unit head. The Unit head is required to provide management responses required. The responses are reviewed and any changes incorporated into the draft audit report.

The Director Internal Audit shall issue the final draft audit report to the Accounting Officer, copied to the Vice Chancellor, DVC F&A, Unit head and others as appropriate. Quarterly, internal Audit shall report to the Audit Committee and the University Council.

5.9. The Follow-Up Review Process

All audits with concerns and recommendations are required to have a follow-up review. The follow-up review is intended to ensure that management has addressed all audit recommendations included in the audit report. Follow-up review takes place soon after the agreed implementation deadline to which management committed in the management response. During the review, Internal Audit shall test the effectiveness of implementation of each audit recommendation. If recommendations have been addressed those issues are closed and reported to the Audit Committee. For issues not implemented, the Unit head shall provide an explanation as to why the agreed upon recommendations have not been implemented. The Unit head shall be required to present an action plan on implementing those recommendations. This shall as well be communicated to the Audit Committee.

CHAPTER SIX

AUDIT PROGRAMS

6.0. Introduction

An audit program is a set of procedures used to review a company's financial and non-information or operational processes. Audit programs are typically designed to test specific functions, such as accounts receivable, accounts payable, general accounting, compliance with company policies, or operational standards.

6.1. The objectives of audit program: -

- a) Audit programs are important because they standardize the data collection and evaluation process.
- b) Keeping the process standardized also means that all the data collected can be used to make useful comparisons between businesses, departments, and previous years' inspections, since the same set of data is collected each time.
- c) To communicate instructions to staff i.e. telling them what work they have to carry out.
- d) To record the work completed namely what, how much, by whom and when the work has been completed.
- e) To control and supervise the work of members of staff.
- f) It facilitates the budgeting of the audit Department.
- g) It facilitates the transfer of audit work to new members of staff.
- h) It is of great value as a source of evidence of the quality, type and quantity of the audit work conducted on a particular audit.

6.2. Components of the audit program

- a) Audit client
- b) Period and subject matter of the audit program
- c) Person preparing and reviewing the audit program
- d) Audit program reference number
- e) Audit risk assessment
- f) Audit scope and objectives

- g) Tests to be performed and assertions tested,
- h) Working paper reference,
- i) Person performing the audit tests (initials)

CHAPTER SEVEN

AUDIT WORKING PAPERS

7.0 Introduction

Working papers are documents which record all the audit evidence obtained by the auditor in the course of executing an audit assignment. They are the connecting link between the objectives and the auditor's report. The working papers document various aspects of the engagement process to include planning, risk assessment, evaluation of the system of internal control, engagement procedures performed, information obtained, conclusions reached, supervisory review and communication of results. All pertinent information obtained by internal audit must be documented.

7.1. Purpose of working papers:

- a) Provide a systematic record of work performed following the audit objectives;
- b) Provide a record of the information and evidence obtained and developed to support;
- c) findings, conclusions, and recommendations;
- d) Provide information for supervision and monitoring of audit engagement.
- e) Provide information for review of the audit engagement.
- f) Provide a record of information for future use in planning and carrying out subsequent audit assignments.

7.2. Audit Files and Working Papers

The purpose of this section is to explain how typical audit files should be structured and what they should contain. Depending on the size of the audit assignment, it is recommended that two types of files be maintained.

7.2.1. Types of Audit Files

Permanent Audit File

This contains information of continuing importance which may be required at each audit. Such Information could include;

- a) Background/history on the Unit to be audited.

- b) Vision, Mission, aims and objectives of the audit area,
- c) The Annual Audit Plan.
- d) Terms of engagement of the audit assignment.
- e) Internal control and accounting systems notes,
- f) Other documents of historical record which are unlikely to be directly relevant to the audit e.g., signed copies of; Contracts, Leases, Financial Statements for prior years, Council minutes, University policies, Procedures, Monitoring reports, Management reports, Department budget, Laws, regulations and Applicable statutes, Organizational structure.

Data contained in the permanent file should be updated whenever a new engagement of the unit is started. An index should be maintained of the data/material contained in the permanent file.

Current Audit File

This contains information and audit evidence relating to the area under review, the purpose of this file is to support the findings, conclusions and recommendations made in the audit report. Working papers will be filed to support audit findings. Particular information resident in this file may include; photocopied documents as evidence to support audit findings, schedules, analyses, flow charts, narratives e.tc. Anyone using the working papers should be able to readily determine their source, purpose, procedures performed, findings, conclusions and the auditor's recommendations. The current audit file should guide the supervisors of the audit assignment to review the audit work.

7.2.2. Characteristics of working papers: -

- a) **Complete;** Working papers shall adequately support the findings and conclusions and cross referenced, as appropriate.
- b) **Concise.** Working papers shall be brief containing all relevant information.
- c) **Uniform;** All working papers should be of uniform size and appearance. Smaller papers should be fastened to standard working papers, and larger papers should be folded to conform to size restrictions of the binder.
- d) **Neat;** Working papers should not be crowded. Enough space should be allowed on each schedule so that all pertinent information can be included in a logical and

orderly manner. At the same time, keep working papers economical. Forms and procedures should be included only when relevant to the audit or to an audit recommendation. Also, try to avoid unnecessary listings and scheduling. All schedules should have a purpose, which relates to the audit procedures or recommendations.

- e) **Retention.** Working papers shall be retained for eight years from the date of issue of the audit report. The most recent set of working papers for each assignment will be maintained in a file for each audit assignment. All prior working papers will be filed in a safe and secure Internal Audit archive

7.3. Working paper Techniques

a) Descriptive Headings/Footers: -

All working papers should include the University name, the unit being audited and the title or brief description of the assignment. Below the title will be details that may include; the auditor's initials, the initials of the reviewer, space for findings and conclusions, comments of the reviewer, the date the working paper was completed, the date the review was made, and working paper reference number as appropriate.

b) Tick marks: -

The auditor makes frequent use of a variety of symbols normally referred to as tick marks. An explanation of each tick mark should be made on the schedule on which it appears. If necessary, a separate tick mark sheet can be prepared and attached to the applicable schedule.

c) Indexing and Cross-Referencing: -

Working paper indexing and cross-referencing should coincide with the audit objectives and program. It should be complete and accurate. All working papers prepared for each assignment should be indexed, and include a table of contents listing working paper titles and index numbers. The standard index for all working papers will be broken down into two categories: general working papers and permanent file working papers. Working papers indexed as permanent file working papers will be retained for future use. The first working paper in each file will be an index for the remaining working papers.

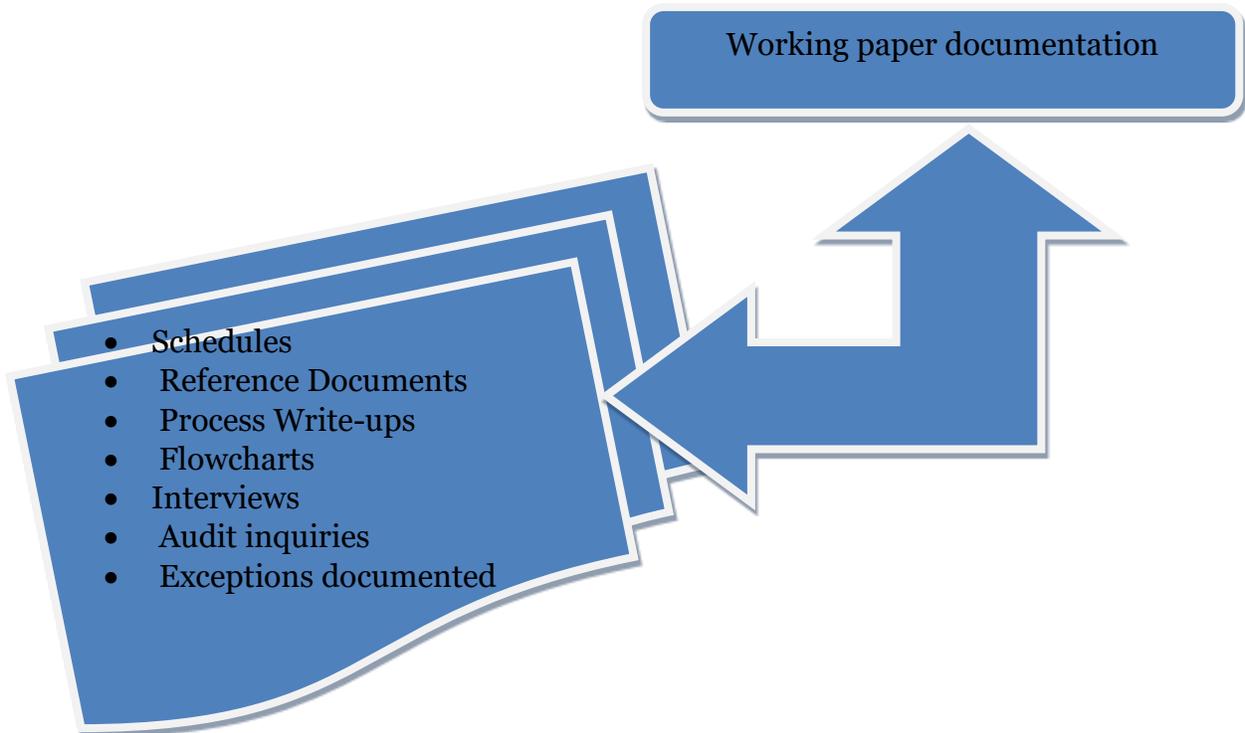
The general index of working papers follows. This method of indexing is to be used as a guide and strict adherence to this method of indexing is not required and every assignment is not expected to have all of these working papers.

WP	CURRENT FILE
1	Internal Auditor's Report
2	Exit Conference & Findings
3	Entrance Conference/Engagement Letter
4	Preliminary Survey
4a	Internal Control Questionnaire
5	Review & Supervision Notes
5a	Time Budget
6	Audit Program
7 and up	Evidence working papers
	Permanent file
PF1	Organizational chart
PF2	Vision, Mission and Objectives
PF3	Annual audit plan
PF4	Applicable laws, University policies and regulations
PF5	Internal control information - narratives, flowcharts, questionnaires, etc
PF6	Description of the accounting records, description of the funds, basis of accounting, etc.
PF7	Unit Mission Statement
PF8	Unit Budget

The auditor should make full use of the working papers developed in the prior audit. Flowcharts, system descriptions, and other data may still be valid. Those papers, which remain useful, should be made a part of the current working papers. They should be

updated with current information, renumbered, referenced, and initialed and dated by the current auditor.

7.4. Working paper Documentation



a) Schedules and Analyses: -

Schedules and analyses are useful for identifying statistical trends and comparisons, verifying the accuracy of data, developing projections or estimations, and determining if tasks or records have been properly completed.

b) Documents collected: -

Copies or actual samples of various documents can be used as examples, for clarification, and as physical evidence to support a conclusion or prove the existence of a problem. These documents can be memos, reports, computer printouts procedures, forms, invoices, vouchers, Local Purchase Orders, Receipts, contracts, minutes, flow charts, or any of numerous other items. Any copied document should serve a useful audit purpose. Copy and insert only that portion of the document that is needed for purposes of explanation or as documentation of

a potential finding. Do not include the entire document in the working papers unless absolutely necessary.

c) **Process Write-ups and Flowcharts**

In many audits, it is necessary to describe systems or process followed by the audit client. Describe such procedures or processes through the use of write-ups or flowchart or some Combination of the two. The choice of which methods to use will depend on the relative Efficiency of the method in relation to the complexities of the system being described.

d) **Interviews**

Most verbal information is obtained through formal interviews conducted either in person or by telephone. Formal interviews are most desirable because the interviews or even casual discussions can often provide important information. Any verbal information, which is likely to support a conclusion in the audit working papers, should be documented or recorded.

Interviews are useful in identifying problem areas, obtaining general knowledge of the audit Subject, collecting data not in a documented form, and documenting the audit customer's Opinions, assessments, or rationale for actions. Interview notes should contain only the facts Presented by the person interviewed, and not include any of the auditor's opinion.

e) **Audit Inquiries and Requests for Documentation:**

Audit inquiries are used to request verbal or preferably written response to a written question provided. Requests for specific documents should be made on the items needed as enumerated in the audit program.

f) **Exceptions: -**

Exceptions should be noted and all supporting documentation should be copied and attached to the working paper. Each exception should be numbered and reference the exception explanation.

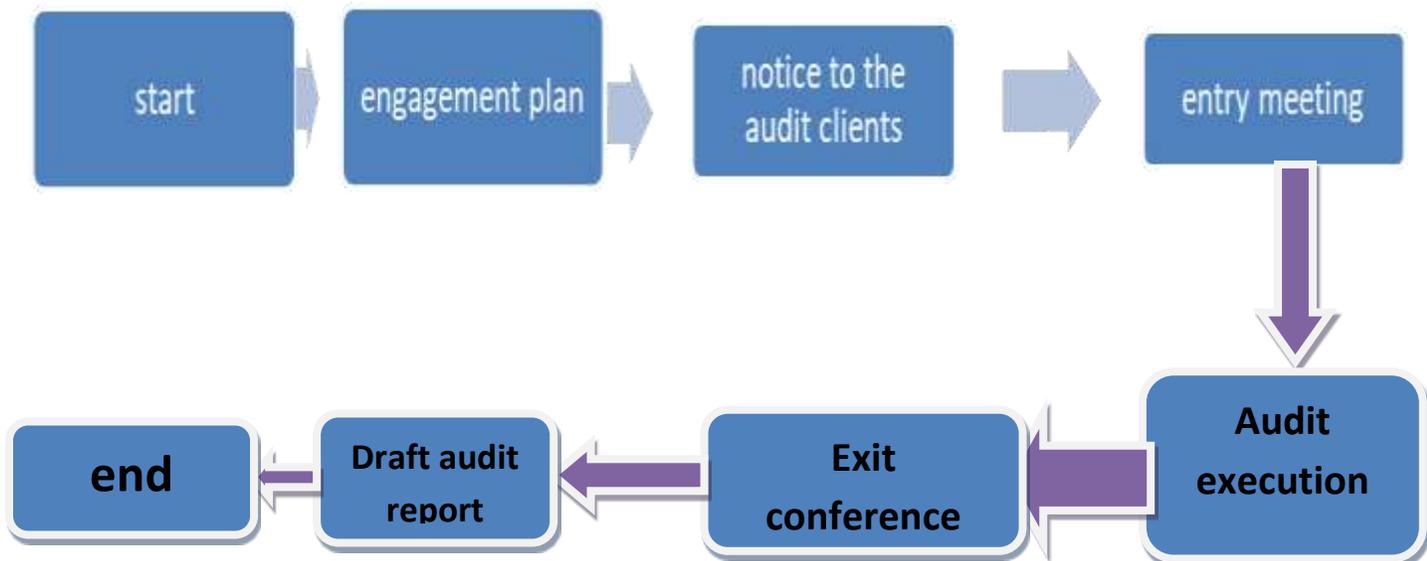
CHAPTER EIGHT

AUDIT FIELD WORK

8.0. Introduction

Once the audit has been planned, a systematic approach for the engagement should be followed to its conclusion. Notice of the audit, entry/engagement meeting, communication, evidence collection and documentation, supervision and reviews, exit meetings and report production should be well managed.

AUDIT FIELD WORK PROCESS



8.1. Notice to the audit client

- a) Once the engagement plan is approved, the next step is to notify the client of the planned audit. Unless the audit involves a spot check or surprise visit, the audit client management should be informed of the audit in advance (normally two weeks before fieldwork is planned to start). The Accounting Officer, Sub-Accounting Officer and other relevant officials may be copied to the notice.

- b) The client management will in the notice to come with the relevant staff for the engagement meeting. The notice should also indicate the objectives and scope of the audit and the required information and document.
- c) The director of internal audit or any person delegated person shall issue the notification letter.
- d) Any objections from the audit client over the proposed timing should be referred to the audit manager / Director Internal Audit for resolution.

8.2. Engagement/Entry Meeting

This is aimed at discussing the matters that will relate to the audit engagement and create Cooperation between the audit team and audit client. All systems-based reviews, and some other major audits will commence on site (start of fieldwork) with a pre – arranged engagement meeting with audit client management.

Attendance of the engagement meeting

The following parties shall attend the engagement meeting; -

- a) The auditor (s) who will undertake the fieldwork, plus the Audit Manager / Director Internal Audit as appropriate should attend engagement meeting.
- b) The Head of the system or activity under review should be invited to attend, and bring any staff he wishes to attend with him.
- c) The Accounting Officer and Sub Accounting Officers will normally attend or send a representative to most audit engagement meetings or attend in person if the audit is a major one involving their department.

Issues to be discussed in the engagement meeting

The engagement meeting should cover the following items;

- ❖ **Terms of reference of the audit**
- ❖ **Timetable for audit completion.**
- ❖ **Arrangements for discussing findings**
- ❖ **during the course of the audit**
- ❖ **Procedure for handling any disagreements between auditors and audit client.**
- ❖ **Proposed date for the exit meeting.**
- ❖ **Formal reporting arrangements**

Audit execution covers all activities covered in the field aimed at gathering relevant and supported information for audit report purposes. These include audit evidence, documentation required and management of audit work.

8.2.1. Audit Evidence

The audit findings should be supported by sufficient, relevant and appropriate evidence. Normally when collecting evidence for the audit working paper file, the auditor will take a photocopy of the original document.

Where auditors suspect fraud or mismanagement, they should take possession of the original prime documents and keep these in the audit file until the matter has been fully investigated.

Techniques of collecting audit evidence

- a) Observation; some procedures may not be documented by management. Also, the auditor may wish to observe a procedure and note down the main activities. Auditors will find it necessary to observe a procedure in operation to confirm that the key controls are effective.
 - (i) The auditor should make a written note of these observations as soon as possible. Delays can affect the auditor's recollection of events.
 - (ii) Where necessary, two auditors may be required to observe a procedure task or activity, to increase the objectivity of the process.
 - (iii) Inspection; the auditor must verify physical assets by inspection. Documentary evidence of such assets is not sufficient proof of existence.
 - (iv) Interviews of audit client can be formal or informal. Informal interviews or discussions may be conducted by a single auditor.
- b) The auditor should place a note of the discussion on file when the interview is over. The note should indicate date, time, location, subjects discussed and key points raised, and any further action required.
- c) Occasionally a formal interview will be needed. This should involve two auditors.
- d) One auditor should ask the questions. A list of questions should be prepared in advance of the meeting, but other questions may be asked during the interview. The other auditor should take notes and make a written record of proceedings.
- e) When the note of the interview has been written, a copy should be given to the audit client (s), and they should sign the original to show that they agree that it is correct.

- f) The original note also be signed by the two auditors present and placed on the audit file.
- g) Computation; In order to confirm the correctness of transactions it may be necessary for the auditor to re-perform a calculation, such as checking a control total.
- h) Auditors should take care to ensure the accuracy of these checks. Auditors should indicate that checks have been made by placing a tick in green ink on the original. Where it is necessary to correct a mistake, green ink should also be used, and the auditor should initial the corrected entry.
- i) Analytical reviews; It may also be necessary for auditors to analyze a set of data, to provide insight and information. All calculations and original data should be carefully checked, as inaccurate analyzes can lead to false conclusions and subsequent embarrassment to the Internal Audit Department.
- j) External confirmation may be required when confirming bank balances, for example.
- k) A letter from the Director Internal Audit to the Bank in question, authorized by the responsible officer shall be needed.

8.2.2. Audit Documentation

- a) Evidence collected as part of the audit must be recorded appropriately and form part of the audit working papers.
- b) All relevant documentation must be kept on a Working Paper File, opened at the start of the audit.
- c) Auditors must take care to complete the documentation and place items on file in a logical order. All documents must be numbered and working papers must be signed and dated by the auditor who did the work. Working papers must be reviewed by the audit manager, who should sign and date the document.
- d) The working papers may contain a conclusion of the tests carried out.

- e) The Audit Working Paper File should contain an index to show the contents of the file.

8.2.3. Use of Sampling Techniques

- a) A sample is less than 100% of the items in the population. In most cases audit testing will involve the selection and use of sample data as it is economical, time saving and increases accuracy.
- b) The size and type of sample used can affect the results obtained. Before selecting a sample for audit testing, auditors should discuss the proposed methods with the audit manager.
- c) The sample size and method should take into account the size, nature and assessed risk with the desired precision required by the auditor.

8.1.4. Management of Audit Work

- a) All audit work will be subject to proper supervision and control.
- b) Audit Assistants will work under the direction of an auditor, or Senior Auditor, who will be referred to as the audit manager for the assignment.
- c) The audit senior will report progress at key stages to the manager auditor, or Director Internal Audit as appropriate.
- d) Audit managers shall review all audit documentation by initialing and date every page to show that a check has been made.

8.1.5. Exit an audit engagement

On completion of the field work; the audit team should meet the audit client to discuss matters relating to the audit.

- a) The composition of the exit meeting should be as in the entry meeting.
- b) The following matters should be discussed in the exit meeting/conference;
 - (i) Work covered and not covered compared with the audit scope
 - (ii) Areas visited during the audit
 - (iii) Cooperation from the client staff

- (iv) Preliminary findings on controls, substantive tests and proposed improvements
- (v) Client response and action plan

Note;

- (i) Attendance and minutes of the exit conference should be taken and draft copy signed by the manager of the audit engagement and a responsible person from the audit client side.
- (ii) The audit client shall keep a copy of the minutes.

CHAPTER NINE

AUDIT REPORTING

9.0. Introduction

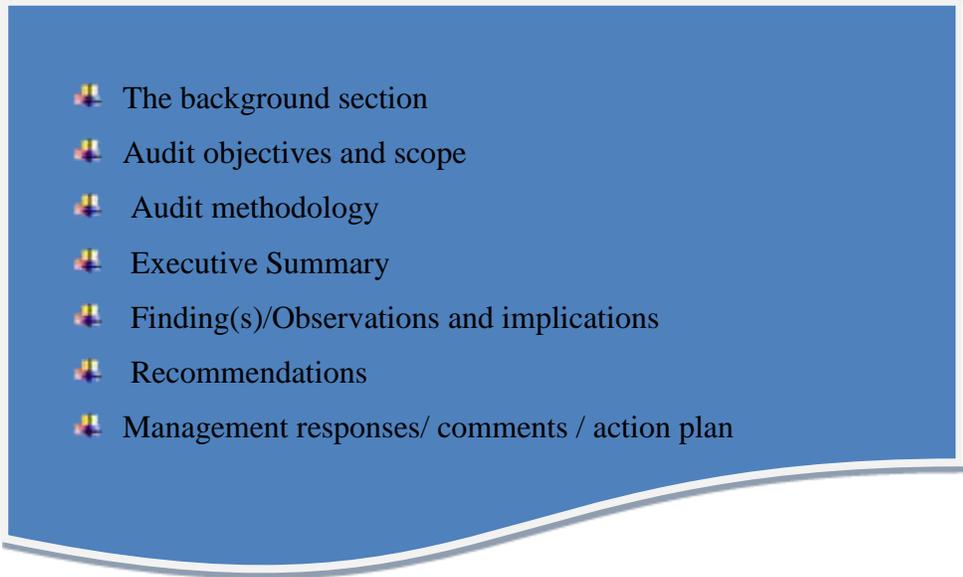
IIA Performance Standards 2400 -2440 require the Director Internal Audit to communicate the audit results promptly, in an objective, clear, concise and constructive manner.

The report should inform the reader the extent of the auditor's analysis, and the conclusions or results of that analysis. For many readers, this document will be the only point of contact made on the audit. Therefore, it is essential that the audit report sets the proper tone and that the content is clear, concise and accurate.

At audit Field work, all information gathered and analyzed are summary in a report form.

9.1. Contents of audit report

The report shall include at minimum the following;

- 
- The background section
 - Audit objectives and scope
 - Audit methodology
 - Executive Summary
 - Finding(s)/Observations and implications
 - Recommendations
 - Management responses/ comments / action plan

9.1.1. Background/Introduction

The background section provides the reader with information about the area/function reviewed. This is done in order to enhance the reader's understanding and appreciation of the responsibilities of the area/function, and to make the report more user-friendly for the reader. There may be occasions when the background section is not necessary in the draft.

This section will also be used to recognize any areas that management addressed/improved during the course of the audit. It will also recognize the audit team and all persons who supported in the audit process.

9.1.2. Audit objectives and scope

The objective and scope should state the area/function that was reviewed, the type of review performed (i.e., operational, functional, financial), and the primary objectives of the review. The time frame the audit covered and the period under reviewed.

9.1.3. Methodology

Each audit engagement is unique and shall have a different audit methodology however the following shall provide general guidance.

- a) Documentary review
- b) Inquiries/ Interviews
- c) Observation
- d) Inspections and verifications
- e) Validation of information

9.1.4. Executive Summary

This provides a brief overview of the findings and recommendations. It is a snap shot of the entire report and should not be more than 2 pages.

9.2. Detailed report

a) Finding (s)/ Observations and implications

The fourth section is the issues and implications section. This section shall be used to record the observations, risks, cause and effect concerns, issues. This is the most important section of the report, thus must be very clear, concise and well backed with evidence supporting the issues raised.

b) Recommendations

Records what actions management should take to improve or address the risk or challenges observed.

These shall include;

- (i) Ways of dealing with the challenge or risk identified,
- (ii) Improvements required
- (iii) Accountability required
- (iv) Controls setting and strengthening required etc
- (v) Legal action etc

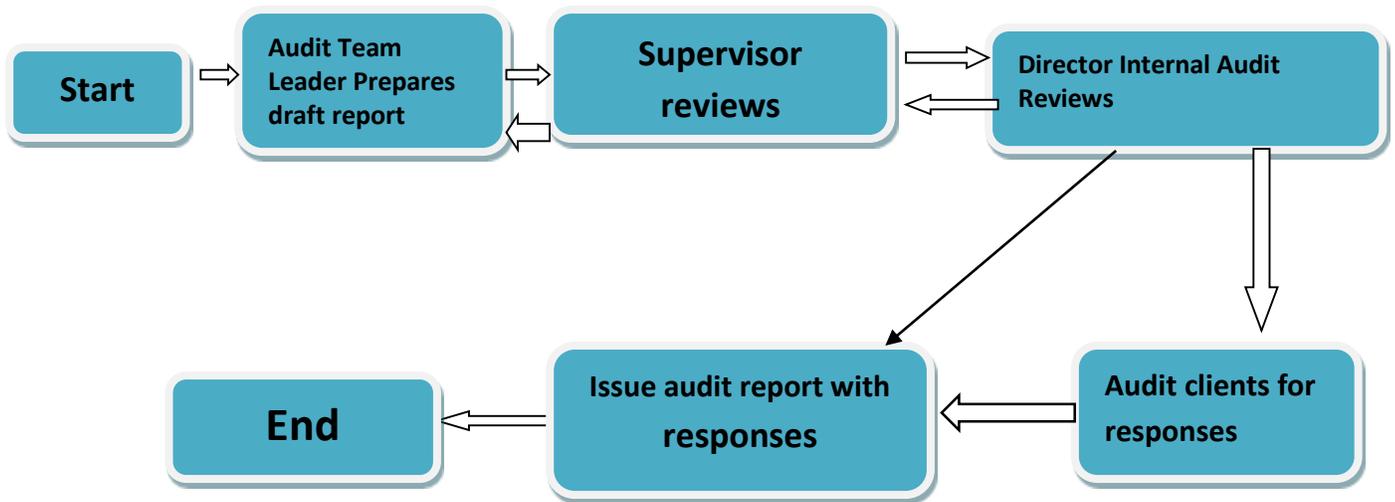
c) Management response/Comments/Action plan

Under this area, provision shall be made for management response or comments and action plan to be received from the audit client.

d) Conclusion

The fifth and last section of the audit report is the conclusion. This section of the audit report is used to express any overall matters for management consideration. Additionally, this section should always express Internal Audit's gratitude to the client area management and staff for their involvement and support of the audit process.

AUDIT REPORT REVIEW PROCESS



- a) The Assignment Team Leader shall submit a draft audit report cross-referenced to the Work papers along with the working papers, to the supervisor for review. The supervisor will review the report to ensure that it is accurate and that there is adequate documentation in the working papers to support the issues and recommendations in the report. The Supervisor will also review the report for completeness, tone, grammar and other standard reporting requirements.
- b) The Supervisor will return the draft report and discuss any changes with the Assignment Team Leader. Once the necessary changes are made, the Assignment Team Leader will resubmit the draft report for review.
- c) The Supervisor should submit the report to the Director Internal Audit for final review.
- d) Any necessary changes shall be made and /or required information sought to enable conclusion of the draft report.
- e) The report shall be provided to the Unit and seek responses within a specified period.
- f) Once the responses to the draft report are received, they should be dated, stamped, and given to the Director internal audit. A review of the responses shall be made to ensure that issues have been appropriately responded to. If there appears to be a misunderstanding by the client on the content of the report or the recommendation, the Director Internal Audit should contact the client (preferably in writing) and clearly

communicate the intent of the report/recommendation. If necessary, the Director should seek for a new response.

- g) If no response is received after the period given in (4) above, written reminder shall be made. If no response is received, the report shall be issued without further reminder.
- h) The completed report should be signed by the Director Internal Audit and circulated as appropriate.
- i) The Audit Team Leader shall follow up with agreed action areas and dates and report accordingly.

CHAPTER TEN

AUDIT REQUESTS/INQUIRIES

10.0. Introduction

As the Auditor plans and performs his/her duties, information required and used comes from the client/auditee. This chapter provides a framework within which the auditor requests or seeks inquiry from the client or auditee. Its objective is to ensure that the overall timing for the audit is achieved with information and clarifications required for the audit provided and supported.

An audit inquiry refers to a written request to an audit client seeking information or clarifications regarding a matter related to an audit assignment being undertaken. This can take place during field audit or after but also extends to providing management responses to issues raised during the audit.

10.1. Qualities of requests/inquiries

- a) All requests shall be documented.
- b) All requests shall be on an official audit document either headed paper or audit working paper or standard audit request form.
- c) The request shall be signed off and shall bear the full names of the Auditor and Title/position.
- d) The request shall relate to the assignment being undertaken.
- e) The request shall be clear and specific on information/clarification requirements
- f) The request shall state timelines within which feedback shall be provided
- g) The request shall define the responsible person to respond to the inquiry either head of unit/responsible officer in the unit.
- h) The head of unit or responsible officer to whom requests have been sent or directed to, are responsible for ensuring responses are timely provided.
- i) Where more time is required than has been provided, then a request for extension shall be made and agreed upon with the auditor.

- j) Where the responsible person is unable or declines to respond to the request or inquiry, a written statement to that effect shall be provided with justification for non-response within the time provided.
- k) Lack of timely response to an inquiry or to requests shall be communicated to more senior levels of management including up to the University Council level. All unsuccessful attempts to secure a response at each level shall be documented and kept as part of the working papers.

CHAPTER ELEVEN

AUDITING OF PROJECTS

11.0. Introduction

Projects refer to funding from development partners or donors. The funding from Development Partners support and supplement the University operations. The University financial and accounting policies ordinarily apply to all sources of funding including funds from Government of Uganda, Internally generated funds and development partner support funds. However, due to the uniqueness of project activities created through contracts and MOUs signed between the University and Partners, the review of the management of these funds require separate audit arrangements.

This chapter is intended to guide the University Audit staff and other staff who run and manage projects to be fully aware of project audit arrangements to ensure that University utilizes and accounts for all development partner funds in an effective and efficient manner.

The audit procedures contained in this chapter shall be read in conjunction with other auditing procedures of the University and best practices issued from time to time.

11.1. Procedures for auditing projects

In auditing grants and/projects, auditors are expected to perform their work to achieve an audit assurance level consistent with auditing standards requirements. This chapter is intended to help auditors in identifying important areas, functions or aspects to be considered in developing audit programs specific to the grant or grants in general.

The assurance required for each grant or project is determined in the context of risk assessed at the project or grant level or overall project control environment and the extent of testing required to attain the desired level of assurance and the overall entity control environment responsible for implementing the project.

The main objective of auditing grants and projects is to determine whether project objectives have been achieved and financial control has been exercised.

At audit planning level, the auditor(s) are expected to gather as much information about the project as possible to ensure project audit objectives are achieved. Full understanding and;

Contextualization is fundamental. Audit team's knowledge of the relevant policies, history of the project, the project expected outputs, project critical success factors, project risks, project implementation known weaknesses, as well as any other matters specific to the project under review.

11.2. Project audit focus areas

Project audits will test and validate the following;

- a) Evidence of achievement of desired project /grant objectives
- b) Support for appropriate decision-making at all levels
- c) Availability of timely, relevant and reliable management information, both financial and non-financial
- d) Management framework of project risks
- e) Evidence of efficient, effective and economical use of resources
- f) Accountability for the use of resources
- g) Supportive control environment
- h) Compliance with contract/MoU terms and conditions, policies, procedures and statutory requirements.
- i) Effective monitoring and reporting framework for planned and actual results.
- j) Project opening, closure and handovers procedures

CHAPTER TWELVE:

AUDIT FOLLOWUP

12.0. Introduction

Follow-up is defined as a process by which internal auditors determine the adequacy, effectiveness and timeliness of actions taken by management on reported findings and recommendations made.

Internal Audit will determine if corrective action taken is achieving the desired results, or that management has assumed the risk of not taking corrective action on reported findings.

Performance Standard 2500 – Monitoring Progress

Standards for the Professional Practice of Internal Auditing require the Director Internal Audit (Director Internal Audit) to establish and maintain a system to monitor the disposition of results communicated to management. Implementation Standard 2500.A1 requires a follow-up process to monitor and ensure that management actions have been effectively implemented or that management has accepted the risk of not taking action

Performance Standard 2600 – Management’s Acceptance of Risk

When the Director Internal Audit believes that senior management has accepted a level of residual risk that is unacceptable to the organization, the director internal audit (director internal audit) should discuss the matter with senior management. If the decision regarding residual risk is not resolved, the Director Internal Audit and senior management should report the matter to the university council for further resolution.

12.1. Follow up procedures

12.1.1. Scheduling Follow-up Activities

The Director Internal Audit is responsible for scheduling follow-up activities as part of the Annual Audit Plan and the current audit schedule. The budget hours allocated to follow-up will be estimated and included in the audit planning process.

12.1.2. Planning and Scheduling a Follow-up Review

The following steps shall be taken in planning and scheduling a follow-up review:

1. The auditor should note the recommendations and corresponding management responses from the original audit. The “Status of Audit Recommendations” spreadsheet from the original audit shall be used as the basis for planning the follow-up review.
2. A follow-up review engagement letter shall be sent to the Unit Head to;
 - (a) Explain the objective of the review,
 - (b) Schedule a time for follow-up fieldwork, as applicable and
 - (c) Request a report, or appropriate document outlining the current status of the actions agreed upon in response to the original audit report recommendations (along with supporting documentation).
3. Follow-up reviews will include an opening and closing conference, and the scope should be limited to the findings included in the original audit report and any non-reportable conditions resulting from the original audit.

12.1.3. Management Responsibility

Management is responsible for deciding the appropriate action to be taken in response to reported audit findings. Management has an ethical responsibility to address the recommendations agreed upon in the management response section of the original audit report. Internal Audit is responsible for assessing management action for timely resolution of the issues reported.

12.1.4. Factors that should be considered in determining appropriate follow-up

Factors to consider include:

- a) The significance and overall impact of the reported condition.
- b) The degree of effort and resources needed to correct the reported condition.
- c) The risk that may occur should the corrective action fail.

d) The complexity of the corrective action and the time needed for implementation.

12.1.5. The Extent of Follow-up Testing

The scope of the follow-up review should be based on the nature of the audit issues, the Complexity of the corrective action and the level of confidence needed to verify Management' s commitment to implementing corrective action. Unless extenuating Circumstances are present; the review should be limited to evaluation of the specific actions taken on the audit recommendations reported in the initial report.

12.1.6. Informal Follow-up Review

This is the most basic form of follow-up and may be satisfied by examining the status report, reviewing auditee/management's procedures, or with a formal telephone conversation or memo correspondence. This type of follow-up is usually applicable to the less critical conditions.

12.1.7. Detailed Follow-up Review

Detailed follow-up is usually more time-consuming and can include substantial involvement with the auditee. Verifying procedures and audit trails, as well as validating balances, records, etc. are examples. More critical audit conditions may require detailed follow- up.

12.1.8. Follow-up Report

A formal follow-up report or memorandum will be issued in draft form and distributed to the original audit report recipients, as applicable. The status of corrective action or management's waiver of resolution (and the corresponding acceptance of risk) will be included in the report. Once the draft report, or memorandum is issued, procedures outlined for issuing audit reports should be followed.

12.1.9. Non-reportable Matters (Observations)

During the follow-up, the auditor will also perform procedures to determine if any non-reportable items that existed during the original audit have been satisfactorily resolved.

If these matters have not been resolved, a reportable condition may be included in the follow-up audit report.

12.1.10. Conditions Still Exist

If the conditions still exist as a result of the follow-up review, the Director Internal Audit will escalate the concerns to Vice Chancellor, Audit Committee and/or the University Council, as applicable.

CHAPTER THIRTEEN:

STAFF CONTINUOUS PROFESSIONAL TRAINING AND CAPACITY DEVELOPMENT

13.0. Introduction

Auditing standard 1230 require internal auditors to enhance their knowledge, skills, and other competencies through continuing professional development. Continuous professional development refers to the means by which people maintain and improve their knowledge and skills related to professional work.

The University encourages all staff to participate in activities that enhance professional Enhancement. Professional capacity development shall be in the following forms;

13.1. Local and international Professional Organizations

- a) The University shall support (where funds available) in payment for membership in the Institute of Internal Auditors (IIA), Association of Chartered Certified Accountants and the Association of Certified Fraud Examiners (ACFE) among others.
- b) Auditors shall be cost conscious, and take full advantage of the (Continuing Professional Education (CPE) hours available through the local institute branch chapters.
- c) Attendance of periodic seminars held locally.
- d) Opportunities exist through the Institute of Internal Auditors, Association of Chartered Certified Accountants etc.
- e) Take advantage of various companies and organizations that offer training opportunities to auditors, through conferences, seminars and workshops.

When the auditor finds a course suitable for professional development, he/she shall submit a request to attend to the Director Internal Audit through their respective supervisor.

Details of the course and the benefits for professional development shall be detailed in the request.

13.2. Specific technical/skill Training

The Director Internal Audit (funds available) may recommend or receive specific requests from heads of sections for recommendation of staff to attend a specific seminar or conference. These may be cases where the training is required or recommended for a particular project.

13.2.1. In-House Training

The University management/ Directorate of Internal Audit may arrange several in-house training opportunities. The opportunities may include training offered through Staff Development, training in specific on job tasks etc.

13.2.2. Personally supported professional development

Each auditor through his/her own initiation may fund relevant professional development. In this case the Director Internal Audit/ Human Resource shall be notified in writing about intended training showing how it will be handled.

CHAPTER FOURTEEN:

INVESTIGATIONS

14.0. Introduction

An investigation is a special purpose type of audit that require finding out unique facts to prove existence of fraud, suspected fraud or other malpractice. The primary purpose is to gather, develop, examine and /or evaluate evidence to determine the authenticity of suspected, improper/ fraudulent activity committed by an individual or group of individuals intended for the detriment of the University. Investigation issues may surface as a result of a routine audit, management requests and from a whistle-blower.

Such matters may include;

- a) Matters involving the misuse of University resources
- b) Matters of significant internal control or policy deficiency that is likely to exist at other units within the institution or across the University system;
- c) Matters that are likely to receive media or other public attention;
- d) Matters which involve significant threat to the health and safety of employees and/or the public;
- e) Allegations of improper activities by members of staff.

14.1. Why carryout audit investigations?

- a) An examination for the purpose of improvement of internal controls involved in an allegation of an improper act.
- b) Auditing for fraud in the absence of an allegation or reasonable suspicion.
- c) Developing fraud prevention or detection programs
- d) May assist in determining the techniques used in committing the improper act, the extent of damage caused by the improper act, and that causal factors permitting or contributing to the improper act (including internal control policy violations or deficiencies).

14.2. Procedures employed by audit in carrying out investigation

1. Interviews

Interviews shall be made for the purpose of gathering information. A formal record of the interview shall be generated for the interviews of all material witnesses. At least two persons should conduct interviews for material witnesses. Interview record should have;

Substance of the interview, interview location, names of the interviewers and interviewees, time and date. In cases where an interview is recorded electronically (Tape, video, DVD) clear permission should be given by the witness.

Interviews should be conducted by seasoned interviewers. Consideration should be given to arranging a police officer to be visible but near the room the interview is being conducted. In cases in which admission is made, a signed statement should be obtained from the interviewer acknowledging authorship. Legible handwritten statements shall be acceptable. Such statements prepared by witnesses should be maintained without the auditor's editing or corrections. If the subject refuses to make a formal statement, note the refusal in the record of the interview.

Auditors may consider the following information in determining of credible information;

- a) Is there corroborating evidence that would tend to support or contradict the Interviewee's statement(s)?
- b) What is the interviewee's bias and motive to lie?
- c) Interviewee's appearance and demeanor; that is, whether the person appears to be telling the truth during the interview.
- d) Consistency of memory and evasive responses.
- e) Interviewee's character and opportunity to observe relevant actions or events

2. Review of existing documentation;

All investigations must be properly authorized; relevant information properly documented; secrecy and confidentiality must be maintained, original documentation, material to the investigation, should be secured by the auditor and reviewed. Laws,

regulations, policies and procedures. This will be intended to find out gaps that can be exploited by those involved in fraud.

At some stage - initially, or during the investigation, suspension of the suspect may need to be considered. This will ensure that evidence is not tampered with, and will also prevent any undue influence by the suspect on the course of the investigation. The suspension is, of course, without prejudice to the outcome of the investigation. The investigation will involve gathering of evidence, and its evaluation. If there is a high volume of detail and documentary evidence, it is preferable to take the strongest cases for full and detailed appraisal, for example where a successful prosecution is most likely to be secured.

All final investigation reports should be distributed to the Director Internal Audit at the completion of an investigation.

CHAPTER FIFTEEN

RELATIONSHIP WITH EXTERNAL AUDITORS AND OTHER MANDATED AGENCIES

15.0. Introduction

Internal Audit shall coordinate activities with other review agencies like; external auditors, consultants, and providers of assurance services, so as to ensure proper audit coverage and limit duplication of efforts.

15.1. External Auditors

The Directorate of Internal Audit shall work with the External Auditors in the coordination and scheduling of audit efforts. Once the level of assistance to be provided is determined, the Director may designate an Audit Staff to assist with the coordination. The audit's staff duties when assisting with the coordination effort may include:

- a) Arranging liaison meetings to discuss matters of mutual interest. At such meetings, the internal auditor should:
 - (i) Invite externals to discuss, the reason for the audit, the objectives, scope, timeframe to be covered by the audit, and the expected duration of the audit.
 - (ii) Perform introductions between external Auditors and the other management representatives in attendance.
 - (iii) Auditors' location of their workspace.
- b) Making the necessary arrangements for adequate working space and relevant facilities.
- c) Making necessary arrangements for access to each other's plans, working papers, system notes and finding
- d) Arranging for consultation on plans and proposed visits
- e) Reviewing training proposals to arrange joint training sessions where possible
- f) Dissemination of literature for discussion to promote understanding of techniques, methods and terminology.

The Audit Staff assigned may be asked to perform portions of the externals' audit programs. If so, the Audit Staff should complete the assignment with the same level of objectivity as they would on all assignments, and will still report to the Director during this period. The Director will discuss with the Audit Staff the guidelines of the assignment, including the level of assistance that the Audit Staff is expected to provide. The Audit Staff should ensure that the work they perform throughout the assignment falls within those guidelines for audit assistance.

15.2. Other mandated agencies

The other mandated agencies shall include but not limited to Uganda Police, Inspector General of Government and other Regulatory bodies.

The Directorate of Internal Audit shall work with the mandated agencies as and when requested.

The involvement of audit in these assignments shall be on request from mandated agencies. The request shall be to the Vice Chancellor / Accounting Officer requesting for audit involvement and support. The Director Internal Audit shall assign as deemed fit staff(s) to support in this kind of assignment.

CHAPTER SIXTEEN:
QUALITY ASSURANCE MECHANISMS

16.0. Introduction

Quality assurance is designed to enable an evaluation of internal audit activity's conformance to auditing standards and code of ethics. Standard 1300 – Quality Assurance and Improvement Program requires “The Director Internal Audit to develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity”. A quality assurance and improvement program is designed to;

- a) Enable an evaluation of the internal audit activity's conformance to the definition of internal auditing, standards and an evaluation of whether internal auditors apply the code of ethics.
- b) Assess the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.

16.1. Requirements of the Quality Assurance and Improvement Program (1310)

The quality assurance and improvement program must include both internal and external assessments.

16.1.1 Internal Assessments

Internal assessments must include:

- a) Ongoing monitoring of the performance of the internal audit activity; Internal reviews should be performed by Senior Internal Audit staff as an integral part of the day-to-day supervision, review, and measurement of the internal audit activity.
- b) This should be incorporated into the routine policies and practices used to manage the internal audit activity. Tools considered necessary for evaluation shall be developed to enable appraisal of the quality of the Internal Audit work.
- c) Periodic reviews should perform through self-assessment or by other persons within the organization with sufficient knowledge of internal audit practices.

16.1.2 External Assessments

External assessments shall be conducted at least once every five years by a qualified, independent reviewer or review team from outside the organization. The Director Internal Audit will discuss with University Council:

- a) The need for more frequent external assessments; and
- b) The qualifications and independence of the external reviewer or review team, including any potential conflict of interest.

16.2. Reporting on the Quality Assurance and Improvement Program (Standard-1320)

On completion of review works, reports of the results should issue to University Management and the Council through the Audit Committee. These reports should express an opinion on Internal Audit's compliance with these Internal Auditing Guidelines and, where necessary, should include recommendations for improvement.

Key contents in the communication shall include;

Demonstration of conformance with the Definition of Internal Auditing, the Code of Ethics, and the Standards with regard to the conduct of internal audit activity, quality of reports produced, reviewer's or review team's assessment with respect to the degree of conformance is required.

CHAPTER SEVENTEEN:

SECURITY, RETENTION AND DISPOSAL OF AUDIT DOCUMENTS AND DATA

17.0. Introduction

This chapter is aimed providing guidance on controlling access to audit information for purposes of confidentiality, prevention from destruction, alteration, misuse of information of information. It is also aimed at defining responsibility for granting and controlling access to audit information.

17.1. Audit Information

Audit information includes working papers (Permanent and current files), Audit reports and other audit documents. Electronic information in form data files kept on all audit computers.

17.2. Securing of audit information

The audit documents should be kept in accordance retention and with disposal requirements of government documents. All documents shall be kept in secure and lockable locations with restricted access. For electronic data, backups shall be maintained and kept off site.

17.3. Disclosure of audit information

All audit information should be accessed through written request to the Director Internal Audit specifying the nature or document and purpose for which document or information is required.

All Internal audit staff shall 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. Staffs who do not comply with these ethical requirements shall be reported to the disciplinary committee of Council.

APPENDICES

APPENDIX I: AUDIT COMMITTEE CHARTER

1.0. Introduction

The purpose of this document is to set out the role, duties and responsibilities of the Audit and Risk Management Committee and its relationship to the Internal and External Audit functions and the Kabale University Council.

Kabale University Council shall appoint an Audit and Risk Management Committee for four years. The members of the Committee shall be appointed from among the University Council Members.

Responsibility for reliable financial reporting lies first with Kabale University Management who sets the tone and establish the financial reporting environment. The Audit and Risk Management Committee needs to understand and assess this environment so that it can exercise broad but effective oversight. This shall mean asking the right questions and expecting forthright responses. Kabale University Management shall understand their public responsibility and the complexity of their operations, and shall be willing to answer such questions.

The Universities and Other Tertiary Institutions Act 2001, as amended provides for the establishment of Audit and Risk Management Committee. In accordance with the Public Finance Management Act, 2015 Section 49, the Charter is issued to provide guidance on the scope, responsibilities and powers of Audit and Risk Management Committee. The Charter provides guidance to members of the Audit and Risk Management Committees in discharging their respective duties. It sets out the committee's objectives, authority, composition, roles and responsibilities and provides a channel of communication with the different stakeholders.

1.1. Vision Statement

To achieve a high level of integrity and competence, and able to work professionally in an objective manner

1.2. Audit and Risk Management Committee Mission

To assist the University Council to perform its supervisory role, and to support the University in strengthening the practices of good corporate governance and internal control to achieve the University's stated objectives.

1.3. Objectives of the Audit and Risk Management Committee

The objectives of the Audit and Risk Management Committee is to assist Council in discharging its duties relating to:

- i. Safeguarding of University assets
- ii. Evaluate and manage risk
- iii. Operate of adequate financial and administration systems including internal control;
- iv. Ensure accurate reporting to stakeholders and provision of financial statements in compliance with all applicable legal requirements and accounting standards;
- v. Ensure the University Management complies with relevant laws, regulations and procedures.
- vi. Provide a forum for discussing business risk and control issues and for developing relevant recommendations for consideration by the Kabale University Council.
- vii. Do oversight work on the activities of the Kabale University Internal Audit function, currently provided by appointed Internal Audit Employees and the External Audit function.
- viii. Act as a channel of communication between the University Council and its management and the Internal and External Auditors.
- ix. Act as an advise Committee to the University Council.

1.4. Authority

- i. The Audit and Risk Management Committee shall draw its authority from the Kabale University Council and the Public Finance Management Act, 2015 and the Universities and Other Tertiary Institutions Act, 2001 as amended.
- ii. The Audit and Risk Management Committee shall in discharge of its duties and responsibilities have such powers to:
 - a) Seek information from Accounting Officer or any other public officer as circumstances may deem fit. Such information shall be submitted in a timely manner and in such form as the Committee may specify; and
 - b) Obtain professional advice from relevant government organs and co-opt professionals for technical guidance.
- iii. Under no circumstances shall the Audit and Risk Management Committee have executive powers with regard to its findings and recommendations on any operational aspects of the management and control of any Department or Unit.

1.5. Appointment, Membership and Competency Requirements

- (i) The University Council shall establish and maintain an Audit and Risk Management Committee and shall be constituted with powers and duties as may be determined by the University Council.
- (ii) The Audit and Risk Management Committee shall comprise a Chairperson, and at least four other members all appointed by the University Council.
- (iii) University Council shall appoint the Chairperson of the Audit and Risk Management Committee.
- (iv) University Council shall have powers to remove any member of the Audit and Risk Management Committee for;
 - a) Inability to perform the functions of his/her office arising from infirmity of body or mind
 - b) Misbehaviour or misconduct
 - c) Incompetence

- d) Not attending Audit and Risk Management Committee meetings for three consecutive sittings without a justified reason.
- e) Declaration of bankrupt by a competent authority.

Every member including the Chairperson of the Audit and Risk Management Committee shall be:

- a. Independent of Kabale University Management
- b. Of unquestionable integrity;
- c. Of sound independent mind;
- d. Familiar and knowledgeable with the operations of Kabale University
- e. Aware of the interests of all stakeholders;

Audit and Risk Management Committee members should collectively possess knowledge, skills and experience in accounting, risk management, audit and legal issues relevant to Kabale University.

At least three members of the Audit and Risk Management committee shall form a quorum at any meeting of the committee.

1.6. Responsibilities and Duties of the Audit and Risk Management Committee

Responsibilities and duties of the Audit and Risk Management Committee shall include the following;

- i. To formulate a policy framework for risk management based on the University Vision, Mission and Strategic Plan, as well as best practices
- ii. To receive and consider internal audit reports and work plans for submission to Council
- iii. To identify University External Auditors for appointment by Council
- iv. To receive and consider Annual Audited University Accounts and report to Council
- v. To develop and report on risk management policies, procedures, internal control systems, risk management functions and programs, for effective management of risks.

- vi. To continuously assess and monitor risk management functions, with a focus on risk identification and mitigation strategies
- vii. To formulate appropriate organizational structures and ensure adequate staff capacity of the Internal Audit Unit
- viii. To set up monitoring performance management system.
- ix. To review and make bi-annual recommendations to Council on risk management policies, procedures, and mitigation strategies
- x. Such other functions as may be assigned to it by Kabale University Council.

The Audit and Risk Management Committee, with specific regard to the following, shall;

- a. Based on the Internal audit reports, evaluate whether management Kabale University is setting the appropriate “control culture” by communicating the importance of internal control and the management of risks and ensuring that all employees have an understanding of their roles and responsibilities.
- b. Consider how management is held accountable for the security of the computerized systems and the contingency plans for processing financial information.
- c. Review and report whether or not management has implemented internal control recommendations made by internal auditors and the Office of the Auditor General.
- d. Review the activities and organizational structure of the Internal Audit Function and ensure that no unjustified restrictions or limitations are placed on the internal auditors.
- e. Review the effectiveness of the Internal Audit Function.
- f. Ensure that significant findings and recommendations made by the internal auditors are received, discussed, and action taken on a timely basis.

1.7. Reporting Lines and Meeting Procedures

1. The Audit and Risk Management Committee through its Chairperson shall report to the University Council on a quarterly basis about its operations and activities during the period.
2. Members to the Audit and Risk Management Committee shall meet quarterly.
3. The Audit and Risk Management Committee shall produce quarterly reports that shall include summary of key audit issues and actions taken to date, the minutes of the Audit and Risk Management Committee and any other issues the University Council may require.
4. The Officer in Charge of Internal Audit shall attend all meetings as ex-officio. In addition, the committee may request any other persons to attend the meetings as and when the need arises to participate in the discussions on the relevant agenda item(s).
5. The agenda and any other discussion papers shall be circulated to members of the Audit and Risk Management Committee and those invited to attend the meeting within a period of at least one week to the scheduled meeting.
6. Any person who is going to attend a meeting may, not in less than 3 days prior to the meeting request the secretariat through the Chair, to add such items as he/she deems necessary to the agenda.
7. The Minutes arising from the meeting, together with the action plan shall be circulated to the members of the Audit and Risk Management Committee and copied to the Accounting Officer.
8. Audit and Risk Management Committee decisions shall be taken by means of reaching a consensus and where not possible, by a majority vote of members present. When using a vote, and in case of a tie, the chairperson shall have a second or casting vote.

1.8. Relationship with The Relevant Authorities

- a) The Audit and Risk Management Committee shall on recommendation by Council communicate with the Internal Auditor General and Office of the Auditor General prior to, during and after audit to cover the following:
- b) Audit planning meeting to discuss: - audit timetable, approach to work, and areas of management concern.
- c) Ensure that significant Issues and recommendations made to or by the Internal Auditor General and Office of the Auditor General are received and discussed on a timely basis.
- d) Ensure that the University management responds to the recommendations by the Internal Auditor General, Office of the Auditor General and the Public Accounts Committee (PAC).

1.9. Scope of Internal Audit/Assurance

The internal audit/assurance shall encompass the examination and evaluation of the adequacy and the effectiveness of the Kabale University's risk management, internal control and governance processes and the quality of performance in carrying out assigned responsibilities.

Internal audit activity scope is prescribed in the Internal Audit Charter, but generally covers the evaluation of;

- i. Reliability and integrity of information.
- ii. Compliance with existing policies, plans, procedures, laws, regulations and contracts.
- iii. Safeguarding of assets
- iv. Risk management processes
- v. Economical and efficient use of resources.
- vi. Accomplishment of established objectives and goals.

1.10. Secretariat

Management is responsible for making available the services of the secretary for drawing up the agenda and keeping the minutes of the meeting of the Audit and

Risk Management Committee. The Audit and Risk Management Committee may however delegate this service to the Officer in Charge of Internal Audit.

1.11. Assessment Arrangements

12.1 The chair of the Audit and Risk Management Committee shall take the lead in initiating the appraisal of the performance of the committee on a self-assessment basis or otherwise determined by the University Council with appropriate input from the Accounting Officer and internal audit and other stakeholders at least once during the term of the Audit and Risk Management Committee.

1.12. Review of The Charter

The University Council may review the Charter as and when need arises and shall make directives to the Audit and Risk Management Committee on any changes deemed necessary for the proper functioning of the Committee.

1.13. Conflict of Interest

Each member of the committee shall take personal responsibility to pro-actively declare any conflict of interest arising out of the business on the agenda or from changes in the member's personal circumstances. The committee shall determine the appropriate course of action with the member. If it is the chair that has a conflict of interest, the committee shall lead in determining the course of action.

APPENDIX II: INTERNAL AUDIT CHARTER

1.0 Introduction

Internal Audit is an independent activity of objective assurance and consulting that takes place in the public sector determining whether acceptable policies and procedures are followed, legislative requirements and established standards are met, resources are used efficiently and economically, planned objectives (missions) are accomplished effectively and the objectives of the Public Sector entity are met.

2.0 Vision Statement

A world class Internal Audit function committed to professional excellence.

3.0 Mission

To provide independent and objective assurance designed to add value and improve Kabale University operations on risk management, control and governance processes.

4.0 Core Values

- i. Quality
- ii. Integrity
- iii. Confidentiality
- iv. Objectivity
- v. Independence

5.0 Internal Audit Objective

The objective of the Internal Audit is to provide additional assurance to the University Council that the implementation of management and control mechanisms is adequate, economical and consistent with the generally recognised standards and national legislation. The Internal Audit furnishes the overall University Management with analyses, recommendations, advices and information concerning the activities reviewed.

6.0 Mandate of Internal Audit

Internal Audit assists the University Management to accomplish their objectives as set by the Public Finance Management Act, 2015 (S48 [2]), by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control systems and compliance with Kabale University processes.

The scope of work of the Internal Audit Function therefore encompasses the examination and evaluation of the adequacy and effectiveness of Kabale University systems of internal control and quality of performance by carrying out the following assigned responsibilities:

6.1 Review and report on the system for generating financial information and data, and on the reliability and integrity of financial statements and other related accounting and financial information.

6.2 Conduct systems audit to ascertain whether or not internal controls are appropriate to Kabale University, and whether or not they are operating effectively and efficiently.

6.3 Conduct Value for Money audits on key activities of Kabale University to ascertain whether or not value has been obtained (efficiency, effectiveness, and economy).

6.4 Conduct risk management audits to ascertain whether or not Kabale University management has set procedures for risk identification and management including frauds and money laundering.

6.5 Conduct environment audits to ascertain whether or not management has put in place procedures for identifying environmental risks in its activities, and for ensuring that these environment risks are monitored and managed appropriately.

6.6 Conduct periodic reviews to confirm whether or not Government policies and specific applicable instructions are followed, and confirm whether or not Kabale University management is complying with all applicable legislations and regulations.

6.7 Review Kabale University structures and systems for ensuring that objectives and values of the University are being achieved.

6.8 Conduct reviews on various projects implemented by Kabale University and report on project management, implementation, and conduct post implementation reviews.

6.9 Conduct reviews on resource acquisition, deployment & utilization, disposal and whether there are appropriate and adequate arrangements for safe custody of the University assets.

6.10 Conducting special audits and investigations as it may be requested by the University Management and Council.

7.0 Authority

The authority of the internal audit function is enshrined in the Public Finance Management Act, 2015. The Internal Audit Function is mandated by the University Council to:

7.1 Have unrestricted access to all functions, records, property and personnel of Kabale University.

7.2 Have free access to the Audit Committee through the Director of the Internal Audit function.

7.3 Access adequate resources, determine scopes of work and apply the techniques required to accomplish audit objectives.

7.4 Access necessary assistance of personnel in the University Departments where they perform audits, as well as other specialized services from within or outside the department.

The staff of the Internal Audit Function is not authorized to:

7.5 Perform any operational duties of any University department or Unit.

7.6 Initiate or approve transactions external to the internal auditing department.

7.7 Direct the activities of any Department or Unit employee not employed by the Internal Audit Function, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors.

8.0 Accountability

The Head and staff of the Internal Audit Function at Kabale University in discharge of their duties shall administratively report to the Vice Chancellor and functionally to the Audit Committee to:

8.1 Provide quarterly and annual assessment on the adequacy and effectiveness of the University's processes for controlling its activities and managing its risks in the areas set forth under the mission and scope/ mandate.

8.2 Report significant issues related to the processes for controlling the activities of the University including potential improvements to those processes, and provide information concerning such issues through resolution.

8.3 Periodically provide information on the status and the results of the annual audit plan and the sufficiency of the Internal Audit Function resources.

8.4 Coordinate with and provide information to other oversight organs of Government as deemed necessary.

8.5 Report on special assignment to appropriate authorities.

9.0 Independence

The Staff of the Internal Audit Function shall report to the Director of Internal Audit, who in turn reports administratively to the Vice Chancellor and functionally to the Audit Committee and Internal Auditor General providing copies of the reports to the Commissioner Inspectorate.

10.0 Responsibility

The Director of the Internal Audit at Kabale University has a responsibility to:

10.1 Prepare annual audit plan using an appropriate risk-based methodology, and submit it to the Audit Committee for review and approval with a copy to the Commissioner Inspectorate and MoFPED Internal Audit for technical guidance and quality assurance.

10.2 Implement approved annual audit plan including and any other special task or project requested by Management, the Audit Committee, the

Commissioner Inspectorate and MoFPED Internal Audit, Accountant General, the Permanent Secretary / Secretary to Treasury or other Authority.

10.3 Kabale University Management shall ensure that the Internal Audit unit is equipped with adequate staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this Charter.

10.4 Evaluate, assess and report on significant emerging issues and their effects/ impact on operations, and control processes and Internal Audit function.

10.5 Issue quarterly reports to the Audit Committee, and the Internal Auditor General and copy to the Commissioner Inspectorate.

10.6 Arrange periodic audit committee meetings and be the secretary for the proceedings.

10.7 Assist in the investigation of significant suspected fraudulent activities within Kabale University and notify Management and other stakeholders of the results.

10.8 The Internal Auditors shall ensure to attend Continuous Professional Development to keep them abreast with new developments in the Auditing and Accounting fields.

11.0 Implementation of The Internal Audit Charter

This Charter is a guide to the operationalization of the Internal Audit provisions in the Public Finance Management Act, 2015 and the relevant laws and regulations. The Vice Chancellor shall be responsible for the overall implementation of this Charter. The Vice Chancellor shall ensure that the internal audit function is appropriate to the needs of Kabale University concerns and conforms to the internationally recognised standards in respect of its status and procedures. The Audit Committee shall be responsible for quality assurance and supervision of the Internal Audit function.

The Director of the Internal Audit Function should continuously liaise with the University Management for appraisal, staffing needs, training needs, and technical & professional development.

12.0 Relationship with Other Oversight Organs

In the performance of their duties and through appropriate channels, the staff of Kabale University Internal Audit shall interact with and complement Parliament, the Office of the Auditor General, the Inspector General of Government, the Directorate of Public Prosecutions, the Criminal Investigations Department, the Directorate of Ethics and Integrity and other government agencies or organizations to promote the efficiency, effectiveness and economy in utilization of resources in the attainment of national objectives.

13.0 Standards of Audit Practice

All activities and recommendations of the Internal Audit Function will be to the highest standards and ethical considerations and be consistent with the Government of Uganda Laws, Professional Standards, Internal Audit and Inspection Manual and Best Practices.

14.0 Review of the Charter

The Kabale University Management with recommendation from Council shall review this charter after a year when need arises and shall make recommendations to the University Management on any changes deemed necessary for the proper functioning of the Internal Audit function.

15.0 Conflict of Interest

Each Internal Auditors shall take personal responsibility to pro-actively declare any conflict of interest in the performance of their duties in accordance with the Public Service Code of conduct, the Leadership Code and the Professional Code of Conduct.

APPENDIX III: CODE OF ETHICS

1.0. Introduction

The Institute of Internal Auditors (IIA) is an international association dedicated to the continuing professional development of the individual internal auditor and the internal auditing profession. In the view of the Board of Trustees and Management, these pronouncements represent the practice of internal auditing as it should be.

It is management's intent that the internal audit function at the University be conducted in a manner consistent with these pronouncements. As such, the Code of Ethics included on the following pages of this section has been extracted from The Institute of Internal Auditors Professional Practices framework. These shall be complied with by all University audit staff.

The purpose of The Institute's Code of Ethics is to promote an ethical culture in the profession of internal auditing. Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

A code of ethics is necessary and appropriate for the profession of internal auditing, founded as it is on the trust placed in its objective assurance about governance, risk management, and control. The Institute's Code of Ethics extends beyond the definition of Internal Auditing to include two essential components: -

- a) Principles that are relevant to the profession and practice of internal auditing.
- b) Rules of Conduct that describe behavior norms expected of internal auditors.

These rules are an aid to interpreting the Principles into practical applications and are intended to guide the ethical conduct of internal auditors.

“Internal auditors” refers to Institute members, recipients of or candidates for IIA professional certifications, and those who perform internal audit services within the definition of Internal Auditing.

1.1. Applicability and Enforcement of the Code of Ethics

This Code of Ethics applies to both entities and individuals that perform internal audit services. For IIA members and recipients of or candidates for IIA professional certifications, breach of the Code of Ethics will be evaluated and administered according to The Institute's by laws and Administrative Directives. The fact that a particular conduct is not mentioned in the Rules of Conduct does not prevent it from being unacceptable or discreditable, and therefore, the member, certification holder, or candidate can be liable for disciplinary action.

1.2. Principles of Ethics: -

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

Integrity

The integrity of internal auditors establishes trust and thus provides the basis for reliance on their Judgment.

Objectivity

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

Confidentiality

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

Competency

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

1.3. Rules of Conduct:

Integrity

Internal auditors

- a) Shall perform their work with honesty, diligence, and responsibility.
- b) Shall observe the law and make disclosures expected by the law and the profession.
- c) Shall not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organization.

- d) Shall respect and contribute to the legitimate and ethical objectives of the organization.

Objectivity

Internal auditors

- a) An internal auditor shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organization.
- b) An auditor shall not accept anything that may impair or be presumed to impair their professional Judgment.
- c) An internal auditor shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

Confidentiality

Internal auditors

- a) Shall be prudent in the use and protection of information acquired in the course of their duties.
- b) Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of Kabale University.

Competency

Internal auditors

- a) Shall engage only in those services for which they have the necessary knowledge, skills, and experience.
- b) Shall perform internal audit services in accordance with the International Standards for the Professional Practice of Internal Auditing.
- c) Shall continually improve their proficiency and the effectiveness and quality of their services.

APPENDIX IV: INTERNATIONAL STANDARDS FOR THE PROFESSIONAL PRACTICE OF INTERNAL AUDITING

1.0. Introduction to the International Standards

The International Standards for the Professional Practice of Internal Auditing Standards has been adopted from The Institute of Internal Auditor's International Professional Practices Framework (IPPF). Internal auditing is conducted in diverse legal and cultural environments; within 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 IIA's International Standards for the Professional Practice of Internal Auditing (Standards) is essential in meeting the responsibilities of internal auditors and the internal audit activity. **These standards have been extracted from the IPPF.**

If the Standards are used in conjunction with standards issued by other authoritative bodies, internal audit communications may also cite the use of other standards, as appropriate. In such a case, if inconsistencies exist between the Standards and other standards, internal auditors and the internal audit activity must conform to the Standards, and may conform with the other standards if they are more restrictive.

The purpose of the Standard is to;

- e) Delineate basic principles that represent the practice of internal auditing.
- f) Provide a framework for performing and promoting a broad range of value-added internal auditing.
- g) Establish the basis for the evaluation of internal audit performance.
- h) Foster improved organizational processes and operations.

The Standards are principles-focused, mandatory requirements consisting of: -

- a) Statements of basic requirements for the professional practice of internal auditing and for evaluating the effectiveness of performance, which are internationally applicable at organizational and individual levels.
- b) Interpretations, which clarify terms or concepts within the Statements.

The review and development of the Standards is an ongoing process. The International Internal Audit Standards Board engages in extensive consultation and discussion prior to issuing the Standards. This includes worldwide solicitation for public comment through the exposure draft process. All exposure drafts are posted on the IIA's Web site as well as being distributed to all IIA institutes.

1.1. Attribute Standards

1000 – Purpose, Authority, and Responsibility

The purpose, authority, and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the definition of Internal Auditing, the Code of Ethics, and the Standards. The director internal audit must periodically review the internal audit charter and present it to senior management and the board for approval.

1000. A1 – The nature of assurance services provided to Kabale University must be defined in the internal audit charter. If assurances are to be provided to parties outside the University, the nature of these assurances must also be defined in the internal audit charter.

1000. C1 – The nature of consulting services must be defined in the internal audit charter.

1010 – Recognition of the definition of Internal Auditing, the Code of Ethics, and the Standards in the Internal Audit Charter

The mandatory nature of the definition of Internal Auditing, the Code of Ethics, and the Standards must be recognized in the internal audit charter. The director internal audit should discuss the definition of Internal Auditing, the Code of Ethics, and the Standards with senior management and the board.

1100 – Independence and Objectivity

The internal audit activity must be independent, and internal auditors must be objective in performing their work.

1110 – Organizational Independence

The director internal audit must report to a level within the organization that allows the internal audit activity to fulfil its responsibilities. The director internal audit must confirm to the board, at least annually, the University's independence of the internal audit activity.

1110. A1 – The internal audit activity must be free from interference in determining the scope of internal auditing, performing work, and communicating results.

1111 – Direct Interaction with the Board; the director internal audit must communicate and interact directly with the board.

1120 – Individual Objectivity; Internal auditors must have an impartial, unbiased attitude and avoid any conflict of interest.

1130 – Impairment to Independence or Objectivity; If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed to appropriate parties. The nature of the disclosure will depend upon the impairment.

1130. A1 – Internal auditors must refrain from assessing specific operations for which they were previously responsible. Objectivity is presumed to be impaired if an internal auditor provides assurance services for an activity for which the internal auditor had responsibility within the previous year.

1130. A2 – Assurance engagements for functions over which the director internal audit has responsibility must be overseen by a party outside the internal audit activity.

1130. C1 – Internal auditors may provide consulting services relating to operations for which they had previous responsibilities.

1130. C2 – If internal auditors have potential impairments to independence or objectivity relating to proposed consulting services, disclosure must be made to the engagement client prior to accepting the engagement.

1200 – Proficiency and Due Professional; care Engagements must be performed with proficiency and due professional care.

1210 – Proficiency Internal auditors must possess the knowledge, skills, and other competencies needed to perform their individual responsibilities. The internal audit activity collectively must possess or obtain the knowledge, skills, and other competencies needed to perform its responsibilities.

1210. A1 – The Director Internal Audit must obtain competent advice and assistance if the internal auditors lack the knowledge, skills, or other competencies needed to perform all or part of the engagement.

1210.A2 – Internal Auditors must have sufficient knowledge to evaluate the risk of fraud and the manner in which it is managed by the University, but are not expected to have the expertise of a person whose primary responsibility is detecting and investigating fraud.

1210. A3 – Internal Auditors must have sufficient knowledge of key information technology risks and controls and available technology-based audit techniques to perform their assigned work. However, not all internal auditors are expected to have the expertise of an internal auditor whose primary responsibility is information technology auditing.

1210. C1 – The Director Internal Audit must decline the consulting engagement or obtain competent advice and assistance if the internal auditors lack the knowledge, skills, or other competencies needed to perform all or part of the engagement.

1220 – Due Professional Care Internal auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not imply infallibility.

1220. A1 – Internal Auditors must exercise due professional care by considering the:

- a) Extent of work needed to achieve the engagement’s objectives;
- b) Relative complexity, materiality, or significance of matters to which assurance procedures are applied; • Adequacy and effectiveness of governance, risk management, and control processes;
- c) Probability of significant errors, fraud, or noncompliance; and
- d) Cost of assurance in relation to potential benefits.

1220. A2 – In exercising due professional care internal auditors must consider the use of technology-based audit and other data analysis techniques.

1220. A3 – Internal auditors must be alert to the significant risks that might affect objectives, operations, or resources. However, assurance procedures alone, even when performed with due professional care, do not guarantee that all significant risks will be identified.

1220. C1 – Internal auditors must exercise due professional care during a consulting engagement by considering the:

- a) Needs and expectations of clients, including the nature, timing, and communication of engagement results;
- b) Relative complexity and extent of work needed to achieve the engagement’s objectives; and
- c) Cost of the consulting engagement in relation to potential benefits.

1230 – Continuing Professional Development; Internal Auditors must enhance their knowledge, skills, and other competencies through continuing professional development.

1300 – Quality Assurance and Improvement Program; the Director Internal Audit shall develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity.

1310 – Requirements of the Quality Assurance and Improvement Program; the quality assurance and improvement program must include both internal and external assessments.

1311 – Internal Assessments must include: -

- a) Ongoing monitoring of the performance of the internal audit activity; and
- b) Periodic reviews performed through self-assessment or by other persons within the University with sufficient knowledge of internal audit practices.

1312 – External Assessments

External assessments must be conducted at least once every five years by a qualified, independent reviewer or review team from outside the University. The director internal audit must discuss with the board:

- a) The need for more frequent external assessments; and
- b) The qualifications and independence of the external reviewer or review team, including any potential conflict of interest.

1320 – Reporting on the Quality Assurance and Improvement Program

The Director Internal Audit must communicate the results of the quality assurance and improvement program to senior management and the board.

1321 – Use of “Conforms with the International Standards for the Professional Practice of Internal Auditing”

The Director Internal Audit may state that the internal audit activity conforms with the International Standards for the Professional Practice of Internal Auditing only if the results of the quality assurance and improvement program support this statement.

1322 – Disclosure of Non-conformance

When non-conformance with the definition of Internal Auditing, the Code of Ethics, or the Standards impacts the overall scope or operation of the internal audit activity, the

Director internal audit must disclose the non-conformance and the impact to senior management and the board.

1.2. Performance Standards

Standard Description of the standard

2000 – Managing the Internal Audit Activity

The Director Internal Audit must effectively manage the internal audit activity to ensure it adds value to the organization.

2010 – Planning: - The Director Internal Audit must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organization's goals.

2010. A1 – The internal audit activity's plan of engagements must be based on a documented risk assessment, undertaken at least annually. The input of senior management and the board must be considered in this process.

2010. A2 – The Director Internal Audit must identify and consider the expectations of senior management, the board, and other stakeholders for internal audit opinions and other conclusions.

2010. C1 – The director internal audit should consider accepting proposed consulting engagements based on the engagement's potential to improve management of risks, add value, and improve the organization's operations. Accepted engagements must be included in the plan.

2020 – Communication and Approval; the Director Internal Audit must communicate the internal audit activity's plans and resource requirements, including significant interim changes, to senior management and the board for review and approval. The director internal audit must also communicate the impact of resource limitations.

2030 – Resource Management: - The Director Internal Audit must ensure that internal audit resources are appropriate, sufficient, and effectively deployed to achieve the approved plan.

2040 – Policies and Procedures. The Director Internal Audit must establish policies and procedures to guide the internal audit activity.

2050 – Coordination: - The Director Internal Audit should share information and coordinate activities with other internal and external providers of assurance and consulting services to ensure proper coverage and minimize duplication of efforts.

2060 – Reporting to Senior Management and the Board. The Director Internal Audit must report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan. Reporting must also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and the board.

2070 – External Service Provider and Organizational Responsibility for Internal Auditing: - When an external service provider serves as the internal audit activity, the provider must make the organization aware that the organization has the responsibility for maintaining an effective internal audit activity.

2100 – Nature of Work. The internal audit activity must evaluate and contribute to the improvement of governance, risk management, and control processes using a systematic and disciplined approach.

2110 – Governance

The internal audit activity must assess and make appropriate recommendations for improving the governance process in its accomplishment of the following objectives:

- a) Promoting appropriate ethics and values within the organization;
- b) Ensuring effective organizational performance management and accountability;
- c) Communicating risk and control information to appropriate areas of the organization; and
- d) Coordinating the activities of and communicating information among the board, external and internal auditors, and management.

2110. A1 – The internal audit activity must evaluate the design, implementation, and effectiveness of the organization's ethics-related objectives, programs, and activities.

2110. A2 – The internal audit activity must assess whether the information technology governance of the organization supports the organization's strategies and objectives.

2120 – Risk Management. The Internal Audit activity must evaluate the effectiveness and contribute to the improvement of risk management processes.

2120. A1 – The internal audit activity must evaluate risk exposures relating to the organization’s governance, operations, and information systems regarding the: -

- a) Reliability and integrity of financial and operational information;
- b) Effectiveness and efficiency of operations and programs;
- c) Safeguarding of assets; and
- d) Compliance with laws, regulations, policies, procedures, and contracts.

2120. A2 – The internal audit activity must evaluate the potential for the occurrence of fraud and how the organization manages fraud risk.

2120. C1 – During consulting engagements, internal auditors must address risk consistent with the engagement’s objectives and be alert to the existence of other significant risks.

2120. C2 – Internal Auditors must incorporate knowledge of risks gained from consulting engagements into their evaluation of the organization’s risk management processes.

2120. C3 – When assisting management in establishing or improving risk management processes, Internal Auditors must refrain from assuming any management responsibility by actually managing risks.

2130 – Control The internal audit activity must assist the organization in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement.

2130. A1 – The internal audit activity must evaluate the adequacy and effectiveness of controls in responding to risks within the organization’s governance, operations, and information systems regarding the;

- a) Reliability and integrity of financial and operational information;
- b) Effectiveness and efficiency of operations and programs;
- c) Safeguarding of assets; and
- d) Compliance with laws, regulations, policies, procedures, and contracts.

2130. C1 – Internal Auditors must incorporate knowledge of controls gained from consulting

Engagements into evaluation of the organization’s control processes.

2200 – Engagement Planning

Internal auditors must develop and document a plan for each engagement, including the

Engagement's objectives, scope, timing, and resource allocations.

2201 – Planning Considerations: -

In planning the engagement, internal auditors must consider:

- a) The objectives of the activity being reviewed and the means by which the activity controls its performance;
- b) The significant risks to the activity, its objectives, resources, and operations and the means by which the potential impact of risk is kept to an acceptable level;
- c) The adequacy and effectiveness of the activity's risk management and control processes compared to a relevant control framework or model; and
- d) The opportunities for making significant improvements to the activity's risk management and control processes.

2201. A1 – When planning an engagement for parties outside the organization, internal auditors must establish a written understanding with them about objectives, scope, respective responsibilities, and other expectations, including restrictions on distribution of the results of the engagement and access to engagement records.

2201. C1 – Internal auditors must establish an understanding with consulting engagement clients about objectives, scope, respective responsibilities, and other client expectations. For significant engagements, this understanding must be documented.

2210 – Engagement Objectives

Objectives must be established for each engagement.

2210. A1 – Internal auditors must conduct a preliminary assessment of the risks relevant to the activity under review. Engagement objectives must reflect the results of this assessment.

2210. A2 – Internal Auditors must consider the probability of significant errors, fraud, Noncompliance, and other exposures when developing the engagement objectives.

2210. A3 – Adequate criteria are needed to evaluate controls. Internal auditors must ascertain the extent to which management has established adequate criteria to determine whether objectives and goals have been accomplished. If adequate, internal auditors must use such criteria in their evaluation. If inadequate, internal auditors must work with management to develop appropriate evaluation criteria.

2210. C1 – Consulting engagement objectives must address governance, risk management, and control processes to the extent agreed upon with the client.

2210. C2 – Consulting engagement objectives must be consistent with the organization's values, strategies, and objectives.

2220 – Engagement Scope

The established scope must be sufficient to satisfy the objectives of the engagement.

2220. A1 – The scope of the engagement must include consideration of relevant systems, records, personnel, and physical properties, including those under the control of third parties.

2220. A2 – If significant consulting opportunities arise during an assurance engagement, a specific written understanding as to the objectives, scope, respective responsibilities, and other expectations should be reached and the results of the consulting engagement communicated in accordance with consulting standards.

2220. C1 – In performing consulting engagements, internal auditors must ensure that the scope of the engagement is sufficient to address the agreed-upon objectives. If internal auditors develop reservations about the scope during the engagement, these reservations must be discussed with the client to determine whether to continue with the engagement.

2220. C2 – During consulting engagements, internal auditors must address controls consistent with the engagement's objectives and be alert to significant control issues.

2230 – Engagement Resource Allocation

Internal auditors must determine appropriate and sufficient resources to achieve engagement objectives based on an evaluation of the nature and complexity of each engagement, time constraints, and available resources.

2240 – Engagement Work Program

Internal auditors must develop and document work programs that achieve the engagement objectives.

2240. A1 – Work programs must include the procedures for identifying, analyzing, evaluating, and documenting information during the engagement. The work program must be approved prior to its implementation, and any adjustments approved promptly.

2240. C1 – Work programs for consulting engagements may vary in form and content depending upon the nature of the engagement.

2300 – Performing the Engagement

Internal auditors must identify, analyze, evaluate, and document sufficient information to achieve the engagement’s objectives.

2310 – Identifying Information

Internal auditors must identify sufficient, reliable, relevant, and useful information to achieve the engagement’s objectives.

2320 – Analysis and Evaluation: -

Internal auditors must base conclusions and engagement results on appropriate analyses and evaluations.

2330 – Documenting Information

Internal auditors must document relevant information to support the conclusions and engagement results.

2330. A1 – The director internal audit must control access to engagement records. The director internal audit must obtain the approval of senior management and/or legal counsel prior to releasing such records to external parties, as appropriate.

2330. A2 – The director internal audit must develop retention requirements for engagement records, regardless of the medium in which each record is stored. These retention requirements must be consistent with the organization’s guidelines and any pertinent regulatory or other requirements.

2330. C1 – The director internal audit must develop policies governing the custody and retention of consulting engagement records, as well as their release to internal and external parties. These policies must be consistent with the organization’s guidelines and any pertinent regulatory or other requirements.

2340 – Engagement Supervision

Engagements must be properly supervised to ensure objectives are achieved, quality is assured, and staff is developed.

2400 – Communicating Results

Internal auditors must communicate the results of engagements.

2410 – Criteria for Communicating

Communications must include the engagement’s objectives and scope as well as applicable conclusions, recommendations, and action plans.

2410. A1 - Final communication of engagement results must, where appropriate, contain the internal auditors’ opinion and/or conclusions. When issued, an opinion or conclusion must take account of the expectations of senior management, the board, and other stakeholders and must be supported by sufficient, reliable, relevant, and useful information.

2410. A2 – Internal auditors are encouraged to acknowledge satisfactory performance in engagement communications.

2410. A3 – When releasing engagement results to parties outside the organization, the communication must include limitations on distribution and use of the results.

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2410. A2 – Internal auditors are encouraged to acknowledge satisfactory performance in engagement communications.

2410. A3 – When releasing engagement results to parties outside the organization, the communication must include limitations on distribution and use of the results

2410. C1 – Communication of the progress and results of consulting engagements will vary in form and content depending upon the nature of the engagement and the needs of the client.

2420 – Quality of Communications

Communications must be accurate, objective, clear, concise, constructive, complete, and timely.

2421 – Errors and Omissions

If a final communication contains a significant error or omission, the director internal audit must communicate corrected information to all parties who received the original communication.

2430 – Use of “Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing”

Internal auditors may report that their engagements are “conducted in conformance with the International Standards for the Professional Practice of Internal Auditing”, only if the results of the quality assurance and improvement program support the statement.

2431 – Engagement Disclosure of Non-conformance

When non-conformance with the Definition of Internal Auditing, the Code of Ethics or the Standards impacts a specific engagement, communication of the results must disclose the:

- a) Principle or rule of conduct of the Code of Ethics or Standard(s) with which full conformance was not achieved;
- b) Reason(s) for non-conformance; and
- c) Impact of non-conformance on the engagement and the communicated engagement results.

2440 – Disseminating Results

The Director Internal Audit must communicate results to the appropriate parties.

2440. A1 – The director internal audit is responsible for communicating the final results to parties who can ensure that the results are given due consideration.

2440. A2 – If not otherwise mandated by legal, statutory, or regulatory requirements, prior to releasing results to parties outside the organization the director internal audit must:

- a) Assess the potential risk to the organization;
- b) Consult with senior management and/or legal counsel as appropriate; and
- c) Control dissemination by restricting the use of the results.

2440. C1 – The director internal audit is responsible for communicating the final results of consulting engagements to clients.

2440. C2 – During consulting engagements, governance, risk management, and control issues may be identified. Whenever these issues are significant to the organization, they must be communicated to senior management and the board.

2450 – Overall Opinions

When an overall opinion is issued, it must take into account the expectations of senior management, the board, and other stakeholders and must be supported by sufficient, reliable, relevant, and useful information.

2500 – Monitoring Progress

The director internal audit must establish and maintain a system to monitor the disposition of results communicated to management.

2500. A1 – The director internal audit must establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.

2500. C1 – The internal audit activity must monitor the disposition of results of consulting engagements to the extent agreed upon with the client.

2600 – Resolution of Senior Management’s Acceptance of Risks

When the director internal audit believes that senior management has accepted a level of residual risk that may be unacceptable to the organization, the director internal audit must discuss the matter with senior management. If the decision regarding residual risk is not resolved, the director internal audit must report the matter to the board for resolution.