



Province of the
EASTERN CAPE
COOPERATIVE GOVERNANCE
& TRADITIONAL AFFAIRS

INTERNAL AUDIT METHODOLOGY

2024/27

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Reference:

- Section 38(1)(a)(ii) and 77 of the PFMA (Act 1 of 1999 as amended by Act 29 of 1999).
- Treasury Regulations
- International Standards for the Professional Practice of Internal Auditing (ISPPA)
- The Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing (IIASA);
- Internal Audit Charter and
- Audit Committee Charter.

SIGN OFF

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1. INTRODUCTION

In terms of the Public Finance Management Act (Act no 1 of 1999) (PFMA), the Accounting Officer of a department is required, amongst other things, to maintain a system of Internal Audit under the control and direction of an Audit Committee.

This manual has been prepared to provide guidance on the standards and procedures to be followed in the performance and documentation of every internal audit engagement conducted by the Internal Audit, with the primary objective of driving consistency and quality in the internal audit work.

The objectives as well as the procedures to be followed for each section are explained with reference to the Standards for the Professional Practice of Internal Audit and international good practice.

Team-Mate is the standard for documenting internal audit engagements. Team-Mate provides a common platform for documenting, reviewing and sharing work during and after the engagement.

Internal audit staff should bear in mind that this Internal Audit Methodology Manual is a guideline and can be modified to suite peculiar circumstances. Authority and guidance should be sought from the Audit Committee prior to deviating from this guideline.

1.1 Objective of this Guide

This guide must be used in conjunction with all other relevant policy documents, for example, the ISPPIA, Internal Audit Charter and Audit Committee Charter.

Although the scope and nature of the system being audited may differ substantially from one audit to the next, this methodology must be applied to the adequate and effective review of all systems of internal control.

1.2 Internal Auditing defined

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 governance, risk management, and control processes.

1.3 Role of internal audit

Internal Auditors are abiding by the Institute's Code of Ethics i.e. **Objectivity, Independency, Confidentiality** and **Competency**. The role of internal audit in an organization is to evaluate/review the adequacy and the effectiveness of systems of internal controls which management has put in place to mitigate impact of the risks (including the high risks) identified in order to achieve the departmental goals and objectives by making recommendations for control enhancement where the controls appear to be weak or not in existence. Internal Audit advice the Accounting Officer on matters relating to the risk management processes, the integrity and reliability of financial and operational records and the compliance to established policies, rules and regulations.

1.4 Use of Team-Mate

All Internal Audit engagements must be documented and stored on Teammate. Teammate provides a common platform, adequate trail for documenting, different levels of reviewing and storing of evidence.

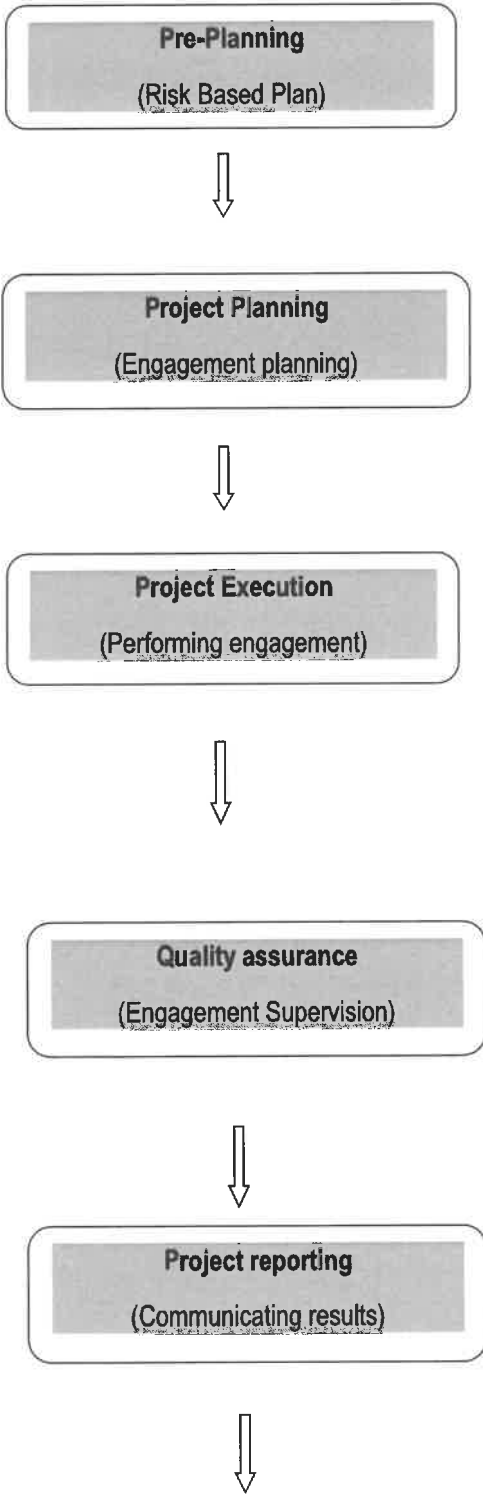
All work from planning, execution and reporting should be documented on Teammate.

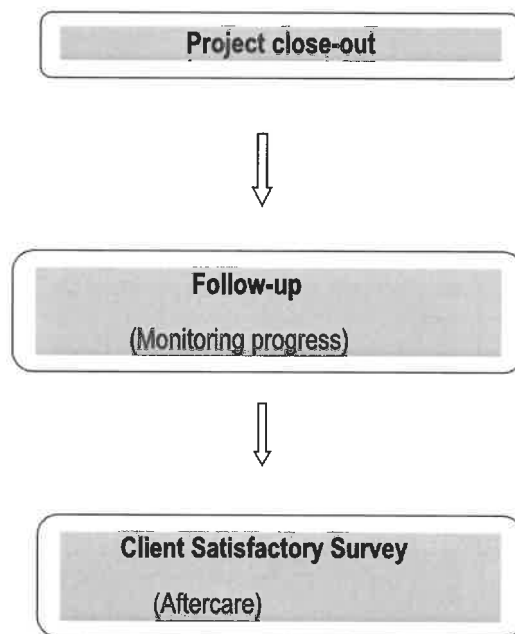
Each project must have its own file, which must be created prior commencement. Planning should be reviewed and signed off prior commencing with execution. The execution and reporting phase should be signed off prior discussing the draft report. Reporting phase should be signed off by the CAE prior discussing the report with the HOD and the Audit Committee.

The file must be completely signed off 30 days after presenting the final report to the AC.

2. HIGH LEVEL OF INTERNAL AUDIT PROCESS FLOW

The following diagram details a high level depiction of the process to be followed when conducting an Internal Audit assignment.





3. PART 1: UNIT AND DEPARTMENTAL STRATEGIC PLANNING

Introduction

International Standards for the Professional Practice of Internal Auditing:

2010 –Planning

for “The Chief Audit Executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organization’s goals”. Strategic planning is critical determining that the audit plan reflects the most appropriate internal audits to address client's expectations and the risk profile of the organisation.

The primary purpose of the Internal Audit Strategic Plan is to outline in detail to Management and the Audit Committee the areas which will be reviewed by internal audit so that they are able to form a view on whether the planned coverage and scope (recognising not all areas can be addressed with finite resources) is sufficient to meet their needs. The Strategic and Operational Internal Audit plans are prepared in terms of regulation 3.2.7 of the Treasury Regulations, which requires the Departmental Internal Audit to prepare:

- A rolling three-year Strategic Internal Audit Plan based on the assessment of key areas of risk for the department, having regard to its current operations, those proposed in its strategic plan and its risk management strategy;
- An Annual Internal Audit plan for the first year of the rolling three-year Strategic Internal Audit Plan.

3.1 Departmental Overview

Overview:

The overall objective of the Departmental Overview is to gather background information about the department, its objectives, its structure to achieve the objectives, the risks and opportunities that may prevent or facilitate the achievement of these objectives and the processes that exist to monitor and manage the related risks.

Key objectives:

- Develop an understanding of the departmental structure, key programmes, etc.
- Develop a preliminary understanding of departmental objectives/risks.
- Where applicable, develop an understanding of and validate with management, its structure and organisation for delivering departmental objectives.
- Where applicable, develop an understanding of and validate with management the effectiveness of its identification, capture, evaluation and management of risk.
- Develop an understanding of the corporate culture of the department and the control environment.
- Define the audit universe.

Key steps:

1. Review public information.
 - This should include a review of applicable Regulations, Acts, websites, news brief etc.
2. Review departmental information.
 - This should include a review of the department's strategic plan, organisation chart, internal Management Reports, Budget Statement and previous internal and external audit reports and risk and control register (from the Risk Management Section).

3. Obtain a preliminary understanding of the departmental objectives, risks and control environment.
 - This should be obtained through management interviews and a review of the documentation listed in 2 above.
4. Document the audit universe.
 - In arriving at the audit universe, consideration should be given to departmental programmes and/or processes, such that the audit universe is practical and supports an efficient audit process.

Team-Mate

Planning Section – Departmental Overview

Planning Section – Audit Universe

Templates

Audit Universe

3.2 High-Level Risk Assessment

International Standards for the Professional Practice of Internal Auditing:

2120 – Risk Management

“The internal audit activity must evaluate the effectiveness and contribute to the improvement of risk management processes”.

2010. A1 – Planning

“The internal audit activity’s plan of engagements must be based on a risk assessment, undertaken at least annually. The input of senior management and the board must be considered in this process”.

Overview:

The overall objective of the high level risk assessment is to obtain an understanding of the key risks facing the department, as well as the related controls, in order to develop an internal audit plan that is appropriately focused on the areas of more significant risk.

A risk assessment should be developed at the onset of the planning process and updated on a continual basis going forward.

The risk assessment and subsequent development of the risk register for each department is facilitated by the Risk Management Unit of the department. Management remains ultimately responsible for the identification and management of risk. The outcome of the risk assessment is used as a key input into the development of the strategic internal audit plan.

A high-level overview of the Enterprise Wide Risk Management Framework.

Key objectives:

- Obtain an understanding of the risks facing the department.
- Identify the significant risks that require an internal audit response.

Key steps:

1. Obtain the departmental risk register (risks and controls) from the Risk Management Unit of the department.
 - The top 40 risks, rated on an inherent risk basis, should be considered in the strategic planning process.
2. Group/classify risks and map to the audit universe.

Team-Mate

Planning section – Risk Register from the Risk Assessment exercise

Template

Risk assessment mapping.

3.3 Internal Audit Strategic /Operational Plans

International Standards for the Professional Practice of Internal Auditing:

2200 – Engagement Planning

“Internal Auditors must develop and document a plan for each engagement, including the engagement’s objectives, scope, timing and resource allocations. The plan must consider the organisation’s strategies, objectives, and risks relevant to the engagement.”

Overview:

The overall objective of the Internal Audit Strategic /Operational Plan is to document the results of the planning steps so far and to obtain management's agreement to the scope of the work planned.

A rolling three-year Strategic Plan must be prepared based on the key areas of risk for the department, having regard to its current operations, those proposed in its strategic plans and its risk management strategy.

In addition to the consideration of key risk areas, the Strategic Plans also need to incorporate the auditee's expectations for other types of work for example:

Requests from management to perform specific engagements;(Ad hoc assignments)

- Compliance audits;
- Assisting the external auditors;
- Follow-up audits;
- Legislated/Mandatory audits and
- Consulting activities

The creation of the Strategic Plan is an exercise seeking to achieve balance between risk priorities, auditee expectations, time and available resources.

Key objectives:

- Align risk assessment results and the auditee expectations (Strategic Plan).
- Provide a summary of the risk assessment and a plan for audit coverage over a 3 year period (Strategic Plan).
- Provide a basis for discussions with management, necessary to obtain approval for the planned work (Strategic Plan).
- Establish the current year plan (Operational Plan).
- Provide basis for engagement planning in phase 2 (Operational Plan).
- Establish basis for assigning resources (Operational Plan).

Key steps:

1. Using the risk assessment mapping (output from 2.3), determine the auditable areas/engagements required.
 - Consideration should be given to the relative riskiness of the auditable area/engagement, based on the number and rating of risks assigned to it.
 - All Top 40 risks should be selected for internal audit coverage.
2. Using the summary of auditee expectations, determine the auditable areas/engagements required.
3. Develop a high level scope for each auditable area/engagement as identified in 1 and 2 above.
4. Determine the resources and time available for the year (April – March) based on the productive time of staff.
 - The resources allocated to the unit should be determined.
 - The standard time available (excluding annual leave, study leave, administration and training) from each resource should be determined.
 - The budget available for insourcing skills to increase capacity and/or specialist skills should be determined.

3.4 Develop the Draft Strategic and Operational Internal Audit Plan.

- It is important to achieve a balance between the auditee's expectations, risk priorities and other stakeholder requirements when developing the plan. This is an area of professional judgement and should take into account all of the information gathered in the planning process so far.
- The resources and estimated hours should be allocated to each auditable area/engagement.
- The estimated timing of engagements over the financial year should be set.
- The impact of resource limitations on the planned work should be highlighted in the Draft Internal Audit Strategic/Operational Plan such that the Accounting Officer can prioritise the internal audit focus.

3.5 Prepare the Draft Internal Audit Strategic/Operational plan.

- The draft Strategic/Operational plan should be prepared by the Audit Manager.

- The Chief Audit Executive should review and quality assured the draft Strategic/Operational plan.

3.6 Approve the draft Strategic/Operational plan.

- The Chief Audit Executive should be given a platform to present the draft Internal Audit Strategic/Operational plan to present to management prior submission to the Audit Committee for discussions and approval.
- The Chief Audit Executive should prepare and present the draft Strategic/Operational plan.
- The draft Strategic/Operational plan should be presented to management for inputs.
- The CAE should arrange a meeting with Provincial Treasury to present the draft Internal Audit Strategic/Operational plan for inputs.
- The CAE should arrange a meeting with Auditor General to present the draft Internal Audit Strategic/Operational plan. This will be a relevant platform for AG to provide inputs.
- The CAE should arrange a Special Audit Committee meeting where the Internal Audit Plan is presented and discussed.

TeamMate

Planning – Draft Strategic/Operational plan

Templates

Strategic/Operational plan

3.6 Communication and Approval of the Plan

International Standards for the Professional Practice of Internal Auditing:

2020 – Communication and Approval

“The Chief Audit Executive must communicate the internal audit activity’s plans and resource requirements, including significant interim changes, to senior management and the Audit Committee for review and approval. The Chief Audit Executive must also communicate the impact of resource limitations.”

Overview:

The draft Strategic/Operational plan should be submitted/ or presented to the Accounting Officer and management for comments. The Audit Committee should approve the final plan prior to its execution.

Key objectives:

- Obtain management’s buy-in to the planned work.
- Identify expectation gaps.
- Obtain agreement on balance between compliance auditee’s expectations, risk priorities and other stakeholder requirements.

Key steps:

1. Review the draft Internal Audit Strategic/Operational plan.
 2. The draft Internal Audit Strategic/Operational plan should be reviewed by the Chief Audit Executive prior to discussion with management.
 2. Discuss the draft Strategic/Operational plan with management.
 - The Audit Manager should contact the client telephonically advising of required meeting.
 - The meeting should be attended by the Head of Department and the departmental management also attend to be provided an opportunity to provide comments on the draft Internal Audit Strategic/Operational plan.
 - Where resource limitations are likely to impact the planned scope of the internal audit work, management should be requested to prioritise the internal audit coverage.
 - Update the Strategic/Operational Plan with any changes that may be required arising from the discussions above.
 3. Obtain final Strategic/Operational plan approval as follows:
 - Chief Audit Executive – should review and quality assure the plan which is evidenced by signature.
 - Accounting officer - should endorse and acknowledge the plan which is evidenced by signature.
 - Presented to the Audit Committee by the Chief Audit Executive.
 - Departmental Audit Committee Chairperson - evidenced by signature on plan.

Note: The original final approved signed plan should be kept with the Chief Audit Executive and a soft copy should be emailed to all staff members for information.

4. Obtain the approved Strategic/Operation Plan before the engagement planning commences.

5. Monitor the execution of the plan on an ongoing basis.

Throughout the year the engagement team should monitor execution of the audit plan, and prepare periodic updates for management and the Audit Committee highlighting progress to date, modifications to the plan, significant findings and trends etc.

Team-Mate

Planning – Final strategic/operational plan

Templates

Minutes of meeting with of Head of Department and the Audit Committee regarding discussion and approval of Strategic/Operational plan.

4. PART 2: ENGAGEMENT PLANNING

1. Introduction

International Standards for the Professional Practice of Internal Auditing:

2200 – Engagement Planning

“Internal Auditors must develop and document a plan for each engagement, including the engagement’s objectives, scope, timing and resource allocations. The plan must consider the organisation’s strategies, objectives, and risks relevant to the engagement.”

2201– Planning Considerations

“In planning the engagement, the internal auditors should consider:

- *The strategies and objectives of the activity being reviewed and the means by which the activity controls its performance.*
- *The significant risks to the activity’s objectives, resources, and operations and the means by which the potential impact of risk is kept to an acceptable level.*
- *The adequacy and effectiveness of the activity’s governance, risk management and control processes compared to a relevant control framework or model.*

- *The opportunities for making significant improvements to the activity's governance, risk management and control processes.*

2201.AI "...internal auditors must establish a written understanding about objectives, scope, respective responsibilities and other expectations, including restrictions on distribution of the results of the engagement and access to engagement records".

2210 – Engagement Objectives

"Objectives must be established for each engagement"

2210.AI – "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 – "The internal audit must consider the probability of significant errors, fraud, noncompliance, and other exposures when developing the engagement objectives".

Comprehensive, detailed engagement planning is critical to provide an effective, high quality audit. The engagement planning stage enables the internal audit team to gain an understanding of the engagement to be performed, and identify the risks and control objectives to develop the scope of the engagement. In addition, the internal audit team can use the planning phase to obtain management buy-in to the approach, scope and timeframes.

2. Engagement Initiation

Overview:

All engagements should be initiated at the direction of the Chief Audit Executive/Audit Manager in accordance with the approved Internal Audit Strategic/Operational Plan.

Prior to initiating the engagement, the Audit Manager should review the risks and other factors that have driven the inclusion of the specific engagement in the operational plan for the year to determine if there have been any significant changes in the department's operating conditions, which have resulted in the risks associated with the scheduled engagement changing and which may require that the engagement be expanded, delayed or cancelled. If this is the case, the operational plan for the year would need to be revised in accordingly.

Key objectives:

- Create the linkage between Strategic/Operational plans and engagement plan.
- Develop a broad/general understanding of those entity processes included in the auditable area/engagement.
- Communicate timeframes and requirements to Internal Audit staff
- Obtain Management buy-in to approach, scope, time-frames

Key steps:

1. Set up the client file.

- Team-Mate is the tool required to document each internal audit engagement.

2. Advise the Programme Manager of the audit to be conducted and arrange a date and time for the opening meeting.

- This can be done telephonically by the Assistant Manager and/Audit Manager.
 - The opening meeting should be attended by the Programme Manager and other client management, as relevant. The Programme Manager and Assistant Manager/Audit Manager should facilitate the arrangement of a date with all relevant attendees.
- 3 Draft a Notification Letter to the Programme Manager detailing the high level objectives and the preliminary scope of the audit and the team members.
- The Notification Letter is designed to advise the Programme Manager about the audit we intend conducting, to formally introduce the preliminary scope and primary objectives of the engagement, and to introduce the key members of the engagement team and to confirm the date and time of the opening meeting.
 - The agenda for the opening conference meeting should be attached as an addendum to the notification letter.
 - The Notification Letter should be sent out at least two weeks prior to the beginning of the engagement planning of any engagement.
 - The Notification Letter should be written and delivered by the Internal Auditor/Assistant Manager to the Programme Manager and the Chief Director of the area being audited. The Chief Risk Officer should receive a copy of the Notification Letter which should serve as an invite.

- All Notification Letters should be sent through the Audit Manager for review and to the Chief Audit Executive for signature, prior to being distributed to the client, in line with delegated signing authority and protocol.
4. Internal Auditor and the Assistant Manager should obtain an understanding of the department and area under review.
- An understanding of the operations of the business unit being audited is fundamental to effective engagement planning and efficient auditing. It is essential that sufficient information be obtained so that auditors can identify and understand the risks, processes and practices that may have an impact on the internal audit engagement, and provide meaningful advice and constructive suggestions. This typically will include:
 - reviewing the client’s website;
 - making enquiries from the Programme Manager and/ relevant staff;
 - reviewing previous internal and external audit reports;
 - reviewing descriptions of the information, accounting and control systems, including the prior year systems descriptions;
 - reviewing background information about the business units operations, goals and objectives; (including Policy Speech, Ops Plans and APP etc.)
 - Obtaining the operational risk assessment results from Risk Management Unit; and reviewing the organogram for the establishment.
- The Audit Manager should review the information obtained in phase 1 and should perform a more detailed review of the client’s business and the process being reviewed.

3. Team Kick off meeting

A team kick off meeting will be held prior each project, this is where project objectives and expectations are discussed. The project plan together with the scope of the review will also be shared and discussed in this meeting.

Furthermore, the team will also share their own objectives and how these will be achieved during the review of the project.

4. Conduct an opening meeting with the Programme Manager and relevant staff to understand areas of concern and obtain information relevant to the auditable area/engagement.
- The Audit Manager, Assistant Manager and the Internal Auditor should attend the opening meeting.

5. Prepare an Engagement Letter addressed to the Programme Manager, Chief Director and the Chief Risk Officer detailing the primary objectives and the final scope of the audit, as agreed in the opening meeting, as well as the engagement team members. A copy of the Engagement Letter should be forwarded to the DDG.
- Based on the planning decisions made in the Strategic/Operational Plan, and further information obtained in the engagement initiation phase, the primary objectives and the scope of the engagement should be clearly defined.
 - The signed Engagement Letter is designed to communicate the final scope and primary objectives of the audit to the Programme Manager, Chief Director, CRO, DDG as well as to introduce the key members of the engagement team.
 - The Engagement Letter should be sent out within one week of the opening conference meeting.
 - The Engagement Letter should be written and delivered by the Internal Auditor and/Assistant Manager to the Head of Department. The DDG, Chief Director, Chief Risk Officer and Programme Manager of the area being audited should be copied on the Engagement Letter.
 - All Engagement Letters should be sent through the Chief Audit Executive prior to being distributed to the client, in line with delegated signing authority and Protocol (Programme Manager, Chief Director for signature).
 - The Audit Planning Memorandum (Internal Planning Document) should be prepared by the Assistant Manager, reviewed by the Audit Manager and approved by the CAE.
 - Once the engagement letter has been approved, the APM should be submitted for approval within two days.

. The audit planning memorandum typically includes the following:

- Engagement Title;
- Engagement code;
- Background information;
- Rationale for the audit (being key risks identified in the strategic planning phase, specific management concern, legislative requirement, follow-up review etc.);
- Engagement objectives and scope;
- A high level overview of the process or business area, including control objectives and risks;
- Timeline of key events (e.g. opening meeting, commencement and completion of fieldwork. closing meeting, report issuance);
- Audit team members and their roles;
- Stakeholders i.e. intended recipients of the audit report;

- Audit challenges and mitigating actions;
- Work locations;
- Time and expense budget.

Team-Mate

Detailed planning – notification letter

Detailed planning – preliminary review (Minutes of the Kick off)

Detailed planning – opening meeting (Minutes)

Detailed planning – engagement letter

Detailed planning – audit planning memorandum

Templates

Notification Letter and agenda

Opening Meeting minutes

Engagement Letter

Audit planning memorandum

4. Engagement Risk Assessment and Scope

International Standards for the Professional Practice of Internal Auditing:

2220 – Engagement Scope

“The established scope must be sufficient to achieve 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”.*

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”.*

Overview:

The purpose of an engagement risk assessment at the auditable activity, process or system level is to determine the risk profile and strategy for the internal audit to be performed.

Performing the engagement risk assessment during the engagement planning phase enables us to better focus our audit scope.

Determining the scope in this engagement planning stage is focused on the key risk areas so that we can outline what to cover during the execution phase. Developing test plans occurs after we understand the control activities in place to manage the risks identified.

Special consideration should be given to identification of fraud during the planning and scoping phase of each internal audit engagement. The engagement team should have sufficient knowledge to identify the indicators of fraud, and should call on specialised expertise where appropriate.

Key objectives:

- Identify and evaluate detailed risks and applicable controls in the entity process.

Key steps:

1. Identify and document the control objectives in relation to the activity, process or system being reviewed.
2. Identify and document the risks that will impact the achievement of these control objectives and update the department risk profile.
3. Document our understanding of the system/process flow.
 - The Internal Auditor should document the detailed system description and the walkthrough. The documentation should encompass the entire process of initiating, recording, processing and reporting individual transactions as this will enable auditors to make judgements as to which of the controls that need to evaluate.
 - This documentation should take the form of flowcharts or narratives.
 - The Assistant Manager should review these working papers.
 - The Audit Manager should approve these working papers.
 - The documented systems description should be reviewed and approved by the Programme/Process Head prior commencement of the audit.
 - The Programme/Process Head should sign the systems description as evidence of approval.

Note: The original approved systems description should be kept in the hard copy engagement file.

4. Perform a walkthrough to validate our understanding of the system/process flow with a maximum sample size of 5.
5. Identify controls that mitigate the risks identified and evaluate their design effectiveness.
6. Summarise the assessment in a risk and controls matrix.
 - The Internal Auditor should document the risk and control matrix.
 - The Assistant Manager should review these working papers.
 - The Audit Manager should approve these working papers.
7. Identify and document gaps in controls and/or recommendations for improvement for communication to the client.

Team-Mate

Detailed planning – engagement risk assessment and scope

Templates

Risk and control matrix

System Description

Walkthrough testing

5. Engagement Resource Allocation

International Standards for the Professional Practice of Internal Auditing:

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”.

Key objectives:

- To allocate appropriately skilled and experienced staff to the engagement that will result in the achievement of the engagement objectives.

Key steps:

1. Determine the staff required for the engagement, taking into account the complexity of the assignment and the need for specialist skills.

Team-Mate

Detailed planning – resource allocation

Templates

Engagement costing template

6. Engagement Project Plan and Audit Programme

International Standards for the Professional Practice of Internal Auditing:

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.”

Key objectives:

- Develop the engagement approach (scope of work, method of testing, depth of testing etc.)

Key steps:

1. Assistant Manager should develop the audit programme for the auditable area/engagement.
 - A testing strategy should be prepared based on the evaluation of controls. The testing strategy should be formulated into a testing plan. The testing plan documents the linkage between the identified risks and controls (as documented in the risks and control matrix) to the associated tests. A well-constructed testing plan is essential to completing the audit in an efficient manner, by providing the following:
 - A systematic plan for each phase of the work that can be communicated to all internal audit personnel.
 - A means of directing the internal audit staff assigned.
 - A means by which the Audit Manager can review and compare performance with approved testing plans.

- The basis for a summary record of work performed.
- Assistance in familiarising successive audit staff with the nature of work previously carried out.
- The further information on types of testing as set out in the further guidance should be considered in developing the audit programme.
- The audit programme should be developed by the Assistant Manager based on the key controls identified in risk and control matrix.
- The audit programme should be reviewed by the Audit Manager.

2. Develop a detailed engagement project plan setting out the tasks to be completed.

- The detailed engagement project plan should be prepared by the Audit Manager.
- Staff members should be allocated to the specific tests depending on their level of competence and experience.
- Hours should be allocated to the specific tests and the timing and specific milestones/deadlines documented.
- Adequate provision should be made in the detailed engagement project plan for on-site supervision and review.
- Throughout the engagement, the Assistant Manager should monitor the execution of the engagement project plan and prepare weekly updates, using the status report template, for the Audit Manager and Chief Audit Executive.

· **Note:** The status of the engagement should be tracked, by the Audit Manager.

Team-Mate

Detailed planning – detailed engagement project plan

Detailed planning – audit programme

Templates

Detailed engagement project plan

Audit programme

Status report

7. Engagement Project Plan and Audit Programme Approval

International Standards for the Professional Practice of Internal Auditing:

2240. A1 – Engagement of Work Program

“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”.

Key steps:

1. Review and approve the audit programmes and engagement project plan.

The Audit Manager should review and sign the engagement project plan and audit programmes preferably prior to the commencement of fieldwork but not more than one week after the commencement of fieldwork.

Team-Mate

Detailed planning – engagement project plan and audit programme approval

Templates

Engagement project plan and audit programme approval

Important

All steps in Phase 2 must be completed and signed off in Team-Mate by the appropriate person before proceeding to Phase 3.

5. PART 3 - EXECUTING THE ENGAGEMENT

1. Introduction

International Standards for the Professional Practice of Internal Auditing:

2300 – Performing the Engagement

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

The overall objective is to ensure that the internal audit team, having the knowledge of the processes undertaken in phase 1 and 2, execute the internal audit work planned in a structured and systematic manner, delivering work of a high quality, in order to achieve the objectives set for the engagement.

Once the engagement planning is complete, the engagement team will execute the audit programme. This phase includes the controls testing, potential substantive testing and formulation of findings. The audit programme will be re-evaluated throughout the different steps of the execution phase to address any new information obtained.

2. Execution of the Audit Programme

International Standards for the Professional Practice of Internal Auditing:

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”

Key objectives:

- Perform the approved control testing.
- Develop the basis for audit findings and recommendations.

Key steps:

1. Perform controls testing in accordance with the approved audit programme.
- At the Engagement Risk Assessment and Scope phase, the controls would have been assessed to determine whether they had been appropriately designed. The audit programme would have been prepared to enable testing which should enable the internal audit team to determine whether the control is working as it was designed to.
 - In executing the audit programme, information that is sufficient, competent, relevant, and useful to provide a sound basis for audit observations and recommendations should be collected.
 - Sufficient information is factual, adequate, and convincing so that a prudent, informed person would reach the same conclusions as the internal auditor.
 - Competent information is reliable.

- Relevant information supports audit observations and recommendations and is consistent with the objectives for the engagement.
 - Useful information helps the department meet its goals
2. Perform substantive testing in accordance with the approved audit programme.
 - Once a control deficiency is identified, the need to perform substantive testing to assess the potential impact of control deficiencies should be determined in discussion with the Audit Manager.
 - The additional substantive tests should be developed by the Assistant Manager and should be approved by the Audit Manager, prior to the substantive testing commencing.
 3. Identify all potential findings from the work performed and formulate recommendations.
 - The Internal Auditor should document all findings identified during the audit.
 - All documentation should be reviewed by the Assistant Manager during the audit to ensure that all findings have been identified and documented.
 - The conclusions on all areas of audit work performed should be reviewed to ensure that the conclusions made are appropriate in light of the findings and to identify potential additional findings for inclusion in the audit report. These might include:
 - Control environment findings;
 - Design effectiveness findings ;
 - Operating effectiveness findings ;
 - Substantive testing findings.
 - Sufficient details of the control deficiency should be provided to enable the reader of the report to draw conclusions on the extent of the control deficiency. For example, the number of errors in the sample and rand values.
 4. The Auditor should rank each potential audit finding.
 - The potential audit findings should be ranked according to the severity of the given risk exposure taking into account the probability of occurrence and the significance of the impact.
 - In determining the ranking of the audit findings, the potential effect of compensating and mitigating controls should be considered.
- The following rating matrix has been adopted to rate internal audit findings:

Rating Description

- High Key exposure identified has a potential for major impact on the Department and should be resolved within three months.

- Medium Exposure identified is unlikely to have a major impact on the Department, but should be resolved within six months.
- Low Exposure identified does not have a major impact on the Department, but should be resolved in due course.

5. The potential audit finding should be discussed with relevant departmental staff member to agree the factual accuracy of the finding, including the potential impact, and the resultant risk exposure and to obtain preliminary comments on the remedial action that will be taken.

Note: Although identified as a separate step, the formulation of findings is performed throughout the engagement planning and execution phases of the audit.

6. Re-evaluate the scope.

- Throughout the execution phase, the scope should be constantly re-evaluated in light of testing results and the identification of risks previously not known. The internal audit team should review and adjust the audit programme as a result of control weaknesses not identified in the planning process or significant errors that affect the scope of work.
- Any such changes should be appropriately documented and potential changes to the engagement timeline should be assessed.

Team-Mate

Execution

Exceptions

Templates

Working paper format

Exception report format

3. Further guidance on developing audit programmes and testing controls

Testing types

There are four basic testing techniques (inquiry, observation, examination of evidence and re-performance) which should be used to obtain our audit evidence.

Inquiry

- Direct inquiry – Inquiry consists of seeking information of knowledgeable persons inside or outside the entity.
- Asking clear and concise questions to understand how a control has been applied (e.g. when, how often, with what data).
- Listening efficiently and effectively.
- Considering the interviewee’s responses and asking follow-up questions.
- Inquiry alone ordinarily will not provide sufficient audit evidence to detect the presence of a control or to support a conclusion about the operating effectiveness of specified controls.
- Ordinarily, tests in addition to the use of inquiry should be performed to obtain sufficient appropriate audit evidence.

Observation

- Observation consists of looking at a process or procedure being performed by others.
- Examples include observation of the performance of control procedures that leave no audit trail.
- Observation provides audit evidence about the performance of a process or procedure, but is limited to the point in time at which the observation takes place and by the fact that the act of being observed may affect how the process or procedures is performed.

Examination of documents

- Inspection of information of data – Inspection consists of examining records or documents whether in paper form, electronic form, or other media.
- Inspection of records and documents provides audit evidence of varying degrees of reliability, depending on their nature and source and, in the case of internal records and documents, on the effectiveness of the controls over their production.

Re-Performance

- Recalculation – Recalculation consists of checking the arithmetical accuracy of documents or records.
- Recalculation can be performed through the use of computer assisted audit technique (CAATs) for example, by obtaining an electronic file to check the accuracy of the summarization of the file.
- Re-performance – Re-performance is the independent execution of procedures or controls that were originally performed as part of the organisation’s internal control, either manually or through the use of CAATs, for example, re-performing the bank reconciliation. Determine which Control Testing Technique should be used.

Sampling

- Sampling is the application of auditing procedures to a representative group of less than 100% of the items within a homogenous population for the purpose of evaluating the population.
- Sampling approaches can either be statistical or non-statistical in nature. Both are commonly used and have particular advantages and disadvantages.

Non-statistical sampling

There are three key steps in a non-statistical sampling process:

- Determine the control test objective, population and sampling unit;
- Determine the sample size;
- Select the sample for testing.

Determine the sample size

a) Sample sizes for testing manual controls

The sample size will depend on the frequency of the control being tested and the level of evidence that is judged to be necessary by the internal audit team.

The following is a guide line in determining the minimum sample sizes:

Frequency of Control Sample Size

| Sample Size | Frequency of the Control |
|--------------------|---|
| 1 | Annually |
| 2 | Bi-annually |
| 4 | Quarterly |
| 12 | Monthly |
| 30 | Multiple times a month |
| 45 | Daily |
| 50 | Multiple times a day |
| 5-10 | Follow-up (Guided by the frequency and complexity of control) |

Sampling is a judgemental decision to be made by the engagement team and client. The following factors may be indicative that a relatively larger sample size should be considered:

- The greater the potential financial loss or adverse event to the organisation if the control is not effective or fails;
- The more complex the control;
- The more significance of judgement in control operation.

b) Sample sizes for testing of automated controls

The testing of manual controls is generally more extensive than that of testing automated controls. In some instances, provided that general computer controls have been tested and are deemed to be effective, the testing of a single operation of an automated control may be sufficient to validate its effective operation.

Select a sample

The objective for any sample selection method is to obtain a representative sample of the population. To increase the likelihood that a sample will be representative, all items in the population should have an equal opportunity of being selected.

Common methods of selecting a sample, using non-statistical sampling approach, are as follows:

a) Random selection

- A method that ensures that all items in a population have an equal chance of being selected.
- Involves no human judgement, and is therefore a preferable selection technique as it excludes bias.

b) Systematic selection

- A systematic method for selecting a representative sample, where the use of random number selection is not deemed efficient (e.g.: time constraints, population data is not readily available in an electronic format).
- A systematic approach is used by the auditor to select items, to minimize any potential human judgement or bias. Every item within the population is selected in accordance with a defined sampling interval.
- The sampling interval is established based on the number of items within the population, without reference to size or monetary value of the item.
- Systematic sampling is not appropriate when the items in a population are not randomly ordered.

- This is the preferred technique to be used when conducting reviews with monetary transactions i.e. SCM, Transfer payments etc.

c) *Haphazard selection*

A method for selecting a representative sample size using human judgement. The auditor, without any conscious bias, selects sample items randomly, i.e. without any special reason for including or omitting items from the sample. This may be an acceptable alternative to random selection when electronic data is not readily available and if the team is confident selection conditions will not induce bias.

4. Documentation of Audit Work

International Standards for the Professional Practice of Internal Auditing:

2330 – Recording Information

“Internal Auditors must document sufficient, reliable, relevant, and useful information to support the engagement results and conclusions.”

Overview:

Working papers are prepared to record the information obtained and the analyses made in planning and conducting an internal audit. Proper audit documentation is critical to an effective, high quality audit and a complete set of working papers should be retained for each engagement.

The overall objective is to ensure that sufficient documentation exists to enable the supervision and review of the work and to provide support for the internal audit team’s findings.

Key objectives:

- Assist in the planning, performance and supervision of the audit.
- Provide a basis for the review of the quality of the work.
- Provide the support for the internal audit findings and recommendations.
- Provide evidence that audit standards have been followed.
- Provide the basis for evaluating the performance of the members of the internal audit team.

Key steps:

1. Document the work performed in the appropriate folder and step in the Team-Mate file, using the templates provided.

The team member performing the internal audit work should prepare audit documentation in sufficient detail to provide a clear understanding of its purpose, source and the conclusions reached.

Documentation should include:

Source and basis of selection of the sample;

- The nature and extent of procedures performed;
- The timing of the procedures performed;
- The audit evidence obtained;
- The results of the testing;
- The conclusions reached;

The documentation should provide a clear link to any findings arising or issues.

Note: Although included as a separate step under execution, appropriate audit documentation should be prepared for all phases of the internal audit process as set out in this methodology.

5. Supervision and Review

International Standards for the Professional Practice of Internal Auditing:

2340 – Engagement Supervision

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

Overview:

All work should be reviewed to determine whether it was adequately performed and to evaluate whether the results are consistent with the findings and recommendations included in the report.

The overall objective is to ensure a quality deliverable at minimum “cost”.

Key objectives:

- Provide ongoing direction and supervision to team members throughout the assignment.
- Ensure adequate documentation of the work performed.

Key steps:

1. Plan for an effective review process.

- Common working practices for documentation, review, coaching notes etc. should be agreed at the kick off meeting,
- The persons that will be responsible for performing the work and performing the review, as well as the relevant timing of the review, should be agreed at the kick off meeting,
- Team members should be properly briefed on their particular areas immediately after the team kick off meeting.
- Team members should be provided with effective coaching throughout the assignment to help ensure that the work performed is appropriate.

2. Conduct reviews as appropriate.

- Reviews should be performed regularly, while the engagement is in progress.
- The review should be performed in an interview format and should be performed on site.
- For those questions that cannot be resolved in the interview, coaching notes should be raised by the team member responsible for the area, at the direction of the reviewer.
- Coaching notes should be answered promptly by the team member.
- The reviewer should clear the coaching notes promptly.
- A final review of the work completed should be performed to ensure that all coaching notes have been cleared.

Note: Although included as a separate step under execution, supervision and review is an ongoing process throughout the audit. In order to facilitate the ongoing review and ensure that the master Team Mate file includes all work completed timeously,

Team-Mate replicas should be merged back into the master on a daily basis if working in the office, then backup should be on a weekly if on the field All Teammate files should upon project completion be backed up on the server.

6. PART 4: PROJECT REPORTING AND COMMUNICATING RESULTS

1. Introduction

International Standards for the Professional Practice of Internal Auditing:

2400 – Communicating Results

“Internal auditors must communicate the results of engagements”

2410 – Criteria for Communicating

“Communications must include the engagement’s objectives, scope, and results.”

2420 – Quality of Communications

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

2500 – Monitoring Progress

“The chief audit executive must establish and maintain a system to monitor the disposition of results communicated to management.”

2600 – Communicating the Acceptance of Risks

“When the Chief Audit Executive concludes that management has accepted a level of risk that may be unacceptable to the organization, the Chief Audit Executive must discuss the matter with Senior Management. A risk acceptance form has been developed which will be completed and signed by the auditee and approved by the Head of Department. If the Chief Audit Executive determines that the matter has not been resolved, the Chief Audit Executive must communicate the matter to the Audit Committee.”

Effective communication of the results of an internal audit engagement is critical to the success of the Internal Audit Unit. The internal audit report is the only public record of the work performed and becomes the most visible measure by which the Internal Audit Unit is rated.

The overall objective of the communication process is to ensure that the results of the internal audit engagement are communicated to management and the Audit Committee in a manner that is accurate, clear, concise and timely. Internal audit reports also provide a record to facilitate the subsequent follow-up of the actions taken by management in addressing risks identified. The Risk acceptance will be issued annually.

2. Reporting to Senior Management

6.2.1 Draft reporting

Key objectives:

- Develop the draft Internal Audit Report incorporating the scope of the engagement and the findings and recommendations arising from the work performed.
- Facilitate final auditee agreement as to facts included in the report.
- Obtain management input as to action plans and timing thereof.

Key steps:

1. Prepare the draft Internal Audit Report.

The draft Internal Audit Report should include the following:

- Introduction and background;
- Audit objectives and scope;
- Internal Audit Team
- Audit approach;
- Value added statement;
- Limitations on scope and exclusions;
- A paragraph on fraud and internal control;
- Audit Conclusion;
- Criteria/ Standard, Detailed findings, and recommendations and risk ratings.
- Font to be used is Times New Romans, justified using the 1,5 spacing.

When evaluating findings, the underlying cause of the finding should be determined, as follows:

| Component | Root Cause |
|--------------------------|---|
| Strategic Management | Override, lack of direction and role clarity, delegation of authority |
| Systems/Internal Control | Appropriateness, non-compliance |
| Operational Management | Supervision, override, role clarity |
| Staffing | Training, Turnover, Workload, development, mix of what is required |

In preparing the audit conclusion on the effectiveness of the controls in the process/area being reviewed, the following matrix should be used:

Rating Description

| Rating | Description |
|---------------|---|
| Very good | Controls are effectively implemented to mitigate the risk. |
| Good | Most risks are controlled and mitigated. |
| Medium | The control system is somewhat effective but there is room for improvement. |
| Low | Some risks appear to be controlled but there are major |
| Insignificant | Very little risks appear to be controlled and the control system is |

The draft Internal Audit Report should be prepared by the Assistant Manager.

2. Perform an internal review of the draft Internal Audit Report.

- The Audit Manager should perform the first review of the draft Internal Audit Report.
- The Chief Audit Executive should perform the second review of the draft Internal Audit Report.
- All queries arising from the reviews should be resolved promptly.

3. Submit the final draft Internal Audit Report to the auditee.

The final draft Internal Audit Report should be clearly marked “DRAFT – FOR DISCUSSION PURPOSES ONLY”. (Make use of the watermark)

4. Conduct a close out meeting with management and obtain management’s responses.

- The Audit Manager and the Assistant Manager should conduct a close out meeting with the Programme Manager to discuss the findings, recommendations and preliminary management comments included in the final draft Internal Audit Report. The Chief Director should also be invited to attend the close out meeting. Any adjustments to the preliminary management comments as detailed on the final draft Internal Audit Report should be returned by the auditee, via e-mail within the timeframe agreed at the close out meeting (this is usually 3 days after the meeting).
- If comments are not received within this agreed timeframe, a follow up (telephonically, via email and a letter) should be sent informing the Programme Manager and the Chief Director that further 2 days is provided for submission of comments, after which the report will be forwarded to the Accounting Officer to report the situation and therefore will be finalised with no management comments.

- The Assistant Manager and the Audit Manager should follow-up on outstanding and/or inadequate management comments promptly.
- The Assistant Manager should update the final draft Internal Audit Report, and the exceptions in Team-Mate, with the final management comments.

5. Perform the final review of the final draft Internal Audit Report (incorporating management's comments).

- The Audit Manager should perform a final review of the final draft Internal Audit Report incorporating management's comments. Consideration should be given to the following when reviewing management's comments:
 - Management should provide an action plan, including the timeframe and who will be responsible for the action, for each finding to be reported.
 - Management's action plan should be reviewed to determine that it adequately addresses the finding, that internal audit's recommendation has been accepted and will be implemented or, an appropriate alternative recommendation has been proposed.
 - If management has already addressed the finding prior to the issue of the internal audit report, the finding must still be reported. In these instances, it should be clear from the management comment that action was taken as a result of the internal audit work performed, so as to not lose the impact of the work performed.
 - If, despite further discussions with the auditee, agreement as to the recommendations made and an adequate action plan is not provided by management, a paragraph should be added to the final Internal Audit Report to indicate why the management's response to the findings is considered to be inadequate (Internal Auditor's Conclusion)
 - If management comment disputes the Internal Audit finding without proper and adequate evidence, Internal Audit should insert our comment below emphasising that the finding remains reportable stating the relevant facts.
 - If management has decided to accept the residual risk, knowing the risk rating assigned to the finding, management's decision should still be reported.
 - If management has not provided comments with the timeframes agreed (i.e. after the second reminder), the report should be finalised without management comments. The cover letter to the report should detail the dates the report was issued and the dates of follow up correspondence.

Notes: The office copy (hard copy) of the signed draft Internal Audit Report should be filed.

Team-Mate

Draft Internal Audit Report

Templates

Draft Internal Audit Report

Reminder for outstanding management comments

6. Final reporting

International Standards for the Professional Practice of Internal Auditing:

2440 – Disseminating Results

“The Chief Audit Executive must communicate results to the appropriate parties”

2440.AI- “The chief audit executive is responsible for communicating the final results to parties who can ensure that the results are given due consideration.”

Key objectives:

- To communicate the final results of the internal audit incorporating specific management actions.

Key steps:

1. Prepare the final Internal Audit Report.

- The final Internal Audit Report should be prepared by the Assistant Manager.

2. Perform an internal review of final Internal Audit Report.

- The Audit Manager should perform a review of the final Internal Audit Report.
- The Chief Audit Executive should review and sign the final Internal Audit Report.
- All queries arising from these reviews should be resolved promptly, prior to the report signing.
- All steps in the Team-Mate file should be signed off by the Audit Manager and all outstanding coaching notes cleared, prior to the final Internal Audit Report being issued.

3. Distribute the final Internal Audit Report in accordance with Auditee requirements.

- A covering letter, addressed to the (Accounting Officer, DDG, Chief Director, Programme Manager and the CRO) should be prepared by the Audit Manager and signed by the Chief Audit Executive.

The requisite number of copies of the final Internal Audit Report should be hand delivered to the auditee.

The following are the roles for the different designations:

| Designation | Role Played |
|-------------------------|---|
| MEC | Information |
| Accounting Officer | Enforce Implementation of Action |
| Deputy Director General | Implement Action |
| Chief Financial Officer | Implement Action/Information (where relevant) |
| Chief Director | Implement Action |
| Programme Manager | Implement Action |
| Chief Risk Officer | Implement Action/ Information |
| Auditor General | Information |
| Audit Committee | Overseeing Action Implementation |

The final report should be signed by the Chief Audit Executive as evidence of the work performed by the Internal Audit team. The final report should be submitted as part of the audit committee packs to the Audit Committee.

Notes: The office copy (hard copy) of the final Internal Audit Report should be filed in the Office Cabinets by the Audit Manager.

Team-Mate

Final Internal Audit Report

Internal Audit Findings Tracker

Templates

Covering letter

Final Internal Audit Report

7. Reporting to the Audit Committee

International Standards for the Professional Practice of Internal Auditing:

2060 – Reporting to Senior Management and the Audit Committee

“The Chief Audit Executive must report periodically to Senior Management and the Audit Committee on the internal audit activity’s purpose, authority, responsibility, and performance relative to its plan and on its conformance with the Code of Ethics and the Standards. Reporting must also include significant risk and control issues, including fraud risks, governance issues, and other matters that require the attention of Senior Management and/or the Audit Committee.”

Overview:

The overall objective is to provide a snapshot of the internal audit activities and the significant findings, such that the Audit Committee has a reasonable understanding of the work performed and the related findings, such that they are able to provide the necessary oversight of the Internal Audit Unit.

Key objectives:

Keep the Audit Committee informed of progress being made against the Internal Audit Strategic and Operational Plans.

- Highlight significant trends to Senior Management and the Audit Committee.
- Highlight significant findings arising from internal audit work performed, including management’s plans to address those findings.
- Keep the Audit Committee informed as to the status of previously reported issues includes Internal Audit Findings Tracker, (IAFT).
- Communicate changes to the Strategic and Operational Plans due to emerging risks, changes in scope and resource limitations.

Key steps:

1. Draft the Audit Committee Report.

- The Audit Committee Report should be prepared by the Assistant Manager.

- The Assistant Manager should prepare the Audit Committee Report in accordance with the format agreed in the Unit.

2. Perform a review of the Audit Committee report.

- The Audit Manager should perform a review of the Audit Committee report.
- The Chief Audit Executive should approve and sign the Audit Committee report.

3. Present the Audit Committee report to the Audit Committee.

- The audit committee pack should be delivered to the Audit Committee members 7 working days prior to the Audit Committee meeting.
- The Assistant Manager, Audit Manager and the Chief Audit Executive should attend the Audit Committee meeting and the Chief Audit Executive presents the Internal Audit reports to the Audit Committee.
- The Assistant Manager should be the secretariat to take the minutes of the Audit Committee meeting and update the Audit Committee Resolution Tracker (ACRT).
- The Assistant Manager should prepare the minutes of the Audit Committee meeting and submit to the Audit Manager within 7 working days after the meeting.
- The Audit Manager should review the minutes and Audit Committee Resolution Tracker (ACRT) and submit to the Chief Audit Executive within 3 days for approval.

Notes: The office copy (hard copy) of the Audit Committee Report, Minutes of the previous meeting, ACRT should be filed in the file cabinets by the Audit Manager.

Team-Mate

Audit Committee Report

Templates

Audit Committee Report

Minutes of the previous meeting

Audit Committee Resolutions Tracker (ACRT).

8. Completion

Overview:

The overall objectives are to ensure that the engagement files adequately support the findings reported and that internal audit's performance is assessed to capture any process improvement opportunities and, in so doing, improve the level of service to the department and enhance the skills of the Internal Audit Unit.

Key objectives:

- Complete the engagement in an orderly manner in accordance with professional obligations and engagement objectives.
- Evaluate performance (from auditee, staff development and engagement management perspectives).

Key steps:

1. Ensure all internal audit work is properly documented on the steps in the Team-Mate file.

- All internal audit work (planning, fieldwork and reporting) should be documented in the Team-Mate engagement file.
- All signed hard copy evidence should be scanned and attached in the Team-Mate engagement file (e.g. signed receipt of draft/ final audit report).
- At the completion of Phase 3, performing the audit, all steps should be marked as complete by the preparer and reviewed by the reviewer and all coaching notes should be resolved and cleared in the file.
- At the completion of Phase 4. Reporting to senior management, all findings in the final report should be cross-referenced to the exceptions on the Team-Mate engagement file to ensure that all reportable items have actually been reported to management.
- The Team-Mate file should be signed off and changed to "Read Only" by the Chief Audit Executive.

2. Hold a team debriefing meeting.

A team debriefing meeting should be held to provide feedback on the results on the internal audit engagement and any issues arising, as well as to generate ideas for the continuous improvement of the internal audit process. This should be conducted by the Audit Manager and team.

3. Complete the Audit Completion Summary.

- The purpose of the Audit Completion Summary is to ensure that all critical (and standard) steps in the internal audit process have been adequately performed and documented on the file.
- The Audit Completion Summary should be prepared by the Assistant Manager and should be signed off by the Audit Manager.
- Team-Mate replicas should be merged back into the master on a daily basis if working in the office, then backup should be on a weekly if the team is on the field. Each auditor is responsible for this under the supervision of the Assistant Manager.
- All Teammate files should upon project completion be backed up on the server, Assistant Managers are responsible for this under the supervision of the Audit Manager.

4. Complete individual Team Member performance evaluations

Team-Mate

Completion

Templates

Audit Completion Summary

Team Debriefing Meeting Agenda

Performance evaluation

9. Monitoring Process

1. Quality Assurance and Improvement Programme

International Standards for the Professional Practice of Internal Auditing:

1310 – Requirements of the Quality Assurance and Improvement Program

“The quality assurance and improvement programme must include both internal and external assessments.”

1311 – Internal Assessments

“Internal assessments must include:

- *Ongoing monitoring of the performance of the internal audit activity*

- *Periodic self-assessments or assessments by other persons within the organization with sufficient knowledge of internal auditing practices”.*

1312 – External Assessments

“External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization. The Chief Audit Executive must discuss with the Audit Committee”

- *The form and frequency of external assessment*
- *The qualifications and independence of the assessor or assessment team, including any potential conflict of interest.*

Overview:

The overall objective is to ensure the quality of the Internal Audit Unit.

Key objectives:

- Ensure compliance with Department Internal Audit Services Methodology and related policies.
- Facilitate consistent, quality service delivery.

Key steps:

1. Prepare a Client Satisfaction survey for completion by the auditee.

- The Assistant Manager should prepare the client satisfaction survey requesting the auditee to complete the survey.
- The Client Satisfaction Survey should be sent together with the final internal audit report.
- The Assistant Manager should follow-up on any outstanding client satisfaction surveys (CSS).
- The Audit Manager should evaluate the responses, share the feedback, both positive and negative, with the internal audit team and take appropriate actions to continuously improve the quality of the internal audit work performed.
- The Audit Manager should prepare analytical report from the CSS and appropriate action plans for improvement and submit to the Chief Audit Executive.
- The Chief Audit Executive should approve the report and share to the Audit Committee for advises.

2. Perform an internal quality assurance peer review.

- On a periodic basis, but at least bi- annually, each Assistant Manager should perform a peer review on a sample of another Assistant Manager's files using the Internal Quality Review Checklist.
- The sample size and frequency should take cognisance of the number of engagements for the period.
- The files for review should be selected by the Audit Manager.
- The results of the reviews should be reported to the Chief Audit Executive and should be disseminated to the internal audit staff.

3. Perform a periodic internal quality assurance review.

- Chief Audit Executive should request Provincial Treasury Transversal Internal Audit to conduct periodic internal quality assurance review at the end of every financial year.

4. Perform an external quality assurance review.

An external service provider should be appointed by the Chief Audit Executive to perform an external assessment in intervals of not more than 5 years.

Team-Mate

Client Satisfaction Survey

Peer Review Reports

Periodic Review Report

External Quality Assurance Report

Templates

Client Satisfaction Survey

Peer Review Reports

Periodic Review Report

External Quality Assurance Report

7. PART 5: FOLLOW-UP

7.1 Follow-up of Previous Audit Findings

International Standards for the Professional Practice of Internal Auditing:

2500 – Monitoring Progress

“The chief audit executive must establish and maintain a system to monitor the disposition of results communicated to management.”

2500. A1 – The chief audit executive 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.”

2600 – Communicating the Acceptance of Risks

“When the chief audit executive concludes that management has accepted a level of risk that may be unacceptable to the organization, the chief audit executive must discuss the matter with senior management. A risk acceptance form has been developed which will be completed and signed by the auditee and approved by the Head of Department. If the chief audit executive determines that the matter has not been resolved, the chief audit executive must communicate the matter to the Audit Committee.”

Overview:

The purpose of adopting follow-up procedures is to support the mission of Internal Audit and reinforce the importance of controls in the Department/Program. Follow-ups provide management with updated information about whether important risks have been dealt with through remedial control actions.

Key objective:

To ensure that management undertakes the necessary remedial action within the timeframe provided.

Key steps:

1. Establish a follow-up tracking system. (Internal Audit Findings Tracker)

· This system should include at a minimum:

- Individual records on each recommendation contained in the internal audit report;
- The name and contact information for the management official who agreed to implement the recommendation;
- The original and revised target dates for implementation.

2. Obtain confirmation from management that all corrective actions have been implemented.

To ensure documentation of the correspondence is maintained, the request for a status of corrective actions should be communicated via a letter or e-mail. In the correspondence, management should be queried on the status of each recommendation, the reason why any recommendations have not been implemented if overdue, a tracking tool should be updated.

3. Determine the timing of the follow-up audit.

The timing of the follow-up of prior internal audit findings should be included in the Strategic/Operational Plan. This should be done on a monthly/quarterly basis.

4. Develop a follow-up audit programme.

- An audit programme should be drawn up which will provide the internal audit team with comfort that the action plans have been completely implemented to effectively address the risks identified.
- The testing should be of a sample of 5. In determining the sample, consideration should be given to the following:
 - Depending on circumstances, the follow-up may require confirmation that the particular instances noted in the prior report have been addressed/rectified, as well as a new sample of 5 to confirm that the issue has not re-occurred.
 - The audit programme should be approved in the same manner as outlined in phase 3

5. Perform the follow-up audit.

• The follow-up audit should follow in the same manner as outlined in **phase 3**.

8. Compile a draft Follow-up Internal Audit Report to management. (Internal Audit Findings Tracker)

- A draft Follow-up Internal Audit Report is compiled following the same procedures as set out in **phase 4**.
- The report format should be the same as for other audit reports, except the report should state that it is a report on a follow-up audit.
- The Follow-up Internal Audit Report should indicate the status of all previously reported recommendations i.e. whether they have been cleared, not cleared and or partly cleared.

7. Submit the draft Follow-up Internal Audit Report to the auditee for comments.

- The draft Follow-up Internal Audit Report should be submitted to the auditee following the same procedures as set out in phase 4.

- For those recommendations that have not yet been addressed, management should be requested to provide updated management comments including revised target dates for corrective actions.

8. Perform the final review of the Follow-up Internal Audit Report (incorporating management’s comments).

· The final review of the Follow-up Internal Audit Report should follow the same procedures as outlined in phase 4.

9. Prepare and issue the final Follow-up Internal Audit Report to the auditee.

· The preparation and issue of the Follow-up Internal Audit Report should follow the same procedures as outlined in phase 4. (A year phase out the findings on the IA Findings Tracker)

Team-Mate

Follow-up audits are treated as an engagement and therefore all Team-Mate steps should be completed.

Internal Audit Findings Tracker should be updated.

Templates

Covering Letter for Follow-up Audit Report

Follow-up Audit Report.

Internal Audit Findings Tracker

8. PART II CONSULTING ENGAGEMENT METHODOLOGY

1. Introduction

From time to time, the Internal Audit Unit may be requested by the Audit Committee or management to perform consulting services. Consulting services are advisory in nature and may take the form of:

- oral or written advice to management;
- agreed upon procedures assignments;
- pre/post-implementation reviews;
- other consulting reviews.

Regardless of the form of the consulting services, their aim will be to:

- to improve the management of risks,
- add value, and
- improve the organisation’s operations.

While the Internal Audit Methodology applies in general to consulting services, there are certain specific considerations relating to such assignments. This section of the methodology highlights these specific considerations.

2. Phase 1: Unit and Departmental Strategic Planning

2.1 Introduction

International Standards for the Professional Practice of Internal Auditing

2010.C1 – Planning

“The chief audit executive should consider accepting the 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”

Management’s requests for consulting engagements should be considered in Phase 1: Unit and Departmental Strategic Planning when determining the Auditee expectations and deliverables (2.4). This will ensure that consulting engagements are considered in the context of the entire Internal Audit Plan, in terms of the risk profile of the organisation, the expected value that will be derived from such assignments as well as the planned deployment of available resources.

Ad-hoc requests for consulting engagements may be received from management. The impact on the Internal Audit Strategic/Operational Plan should be carefully considered.

2.2 High-Level Risk Assessment

International Standards for the Professional Practice of Internal Auditing

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 process.”

The overall objective of the high level risk assessment is to obtain an understanding of the key risks facing the department, as well as related controls, in order to develop an internal audit plan that is appropriately focused.

When considering requests for consulting engagements, appropriate consideration should be given to the risks that would be addressed by such an engagement in relation to the overall risks of the organisation.

The outcome of the risk assessment is used as a key input into the development of the internal audit plan and the decision on whether to perform consulting engagements.

2.3 Auditee Expectations/Deliverables

International Standards for the Professional Practice of Internal Auditing:

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.”

Given that consulting engagements may differ in approach to the mainstream internal audit, the most critical objective is to ensure that there is a clear and complete understanding of the expectations relating to the consulting engagement.

This understanding should be obtained through discussions with the Head of Department in

Phase 1: Unit and Departmental Strategic Planning when determining the Auditee expectations and deliverables (2.4). The understanding of the consulting engagement client’s expectations should extend across their expectations for the planning process, high-level timeframes and key deliverables, together with a definition of the nature, timing and content of thereof. These expectations should be clearly documented in the Strategic/Operational Plan.

2.4 Strategic/Operational Plans

International Standards for the Professional Practice of Internal Auditing:

2010 - Planning

“The Chief Audit Executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals.”

2010. C1 – Planning

“The chief audit executive should consider accepting the 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”

The overall objective of the Strategic Plan is to document the results of the planning steps so far and to obtain management’s agreement to the scope of the work planned.

A three year strategic rolling plan (Strategic Plan) should be prepared in line with Phase 1: Unit and Departmental Strategic Planning Strategic /Operational Plans (2.5), based on the key areas of risk for the department, having regard to its current operations, those proposed in its strategic plans and its risk management strategy.

The Strategic/Operational Internal Audit Plans should incorporate the agreed consulting engagements.

2.5 Communication and Approval of the Plan

International Standards for the Professional Practice of Internal Auditing:

2020 – Communication and Approval

“The chief audit executive 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 chief audit executive must also communicate the impact of resource limitations.”

The draft Strategic/Operational plan, which should include the agreed consulting engagements, should be submitted to the Accounting Officer for approval thereafter to the Audit Committee for final approval, prior to its execution, in line with Phase 1: Unit and Departmental Strategic Planning - Communication and Approval of the plan (2.6).

2.6 Re-assess Strategic/Operational Plan

The Strategic/Operational Plan should be continuously re-assessed, particularly if requests are received for ad-hoc consulting engagements in line with Phase 1: Unit and Departmental Strategic Planning: Re-assess Strategic/Operational Plan (2.7). Any changes in the Strategic/Operational plan should be discussed with the Accounting Officer and should be submitted to the Audit Committee for approval.

3. Phase 2: Consulting Engagement Planning

3.1 Introduction

International Standards for the Professional Practice of Internal Auditing:

2200 – Engagement Planning

“Internal Auditors should develop and record a plan for each engagement, including the scope, objectives, timing and resource allocations. The plan must consider the organization’s strategies, objectives, and risks relevant to the engagement.”

2201.C1 – Planning Considerations

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.C1 – *“Consulting engagement objectives must address governance, risk management, and controls processes to the extent agreed upon with the client”.*

Consulting engagement planning is critical to provide an effective, high quality engagement.

The engagement planning stage enables the internal audit team to gain an understanding of the engagement to be performed, and identify the risks and control objectives to further develop the scope of the consulting engagement. In addition, the internal audit team can use the planning phase to obtain line management buy-in to the approach, scope and timeframes.

3.2 Engagement Initiation

All consulting engagements should be initiated at the direction of the Audit Manager/ Chief Audit Executive accordance with the approved Strategic/Operational Plan in line with Phase

2: Engagement Planning: (3.2) Engagement Initiation.

Prior to initiating the consulting engagement, the Audit Manager should review the risks and other factors that have driven the inclusion of the specific engagement in the operational plan for the year to determine if there have been any significant changes in the department’s operating conditions, which have resulted in the risks associated with the scheduled engagement changing and which may require that the engagement be expanded, delayed or cancelled. If this is the case, the operational plan for the year would need to be revised in accordance with the process set out under Phase 1: Unit and Departmental

Strategic Planning: Re-assess Strategic/Operational plan (2.7).

Key objectives:

- Create the linkage between the Strategic/Operational plans and the consulting engagement plan.
- Develop a broad /general understanding of those entity processes/areas included in the engagement.
- Communicate timeframes and requirements to Head of Department and internal audit staff.
- Obtain Management buy-in to approach, scope, and timeframes.

Key steps:

1. Set up the client file.

- Team-Mate is the tool required to document each consulting engagement.
- A Team-Mate file should be created for each consulting engagement following the procedures as set out in the “Team-Mate Protocol Document”.

2. Advise the Programme Manager of the consulting engagement to be conducted and arrange a date and time for a meeting.

- This can be done telephonically by the Audit Manager.

3. Draft a Notification Letter to the Programme Manager detailing the high level objectives and the preliminary scope of the consulting engagement and the team members.

- The Notification Letter is designed to advise the Programme Manager about the consulting engagement we intend conducting, to formally introduce the preliminary scope and primary objectives of the engagement, and to introduce the key members of the engagement team and to confirm the date and time of the opening meeting.
- The agenda for the opening conference meeting should be attached as an addendum to the Notification Letter.
- The Notification Letter should be sent out at least two weeks prior to the beginning of the engagement planning of any engagement.
- The Notification Letter should be written and delivered by the Internal Auditor/Assistant Manager Specialist to the Programme Manager, The Chief Director and the CRO as applicable, should be copied on the Notification Letter.
- All Notification Letters should be sent through the Audit Manager to the Chief Audit Executive for signature, prior to being distributed to the client, in line with delegated signing authority and protocol.

4. Obtain an understanding of the area under review.

The Audit Manager should review pertinent information relating to the specific area being reviewed.

- Conduct an opening meeting with the Programme Manager to further understand areas of concern and obtain information relevant to the consulting engagement.
 - The Assistant Manager and the Audit Manager, should attend the opening meeting.
- 4 Prepare an Engagement Letter addressed to the Head of the Unit detailing the primary objectives engagement team members.
- Based on the planning decisions made in the Strategic/Operational Plan, and further information obtained in the engagement initiation phase, the primary objectives and the scope of the consulting engagement should be clearly defined.
 - The Engagement Letter is designed to communicate the final scope and primary objectives of the consulting engagement to the Head of the Unit as well as to introduce the key members of the engagement team.
 - The Engagement Letter should be sent out within one week of the opening conference meeting.
 - The Engagement Letter should be written and delivered by the Assistant Manager to the Programme Manager of the area being reviewed should be copied on the Engagement Letter.
 - All Engagement Letters should be sent through the Audit Manager and the Chief Audit Executive for signature, prior to being distributed to the client, in line with delegated signing authority and protocol.
 - The consulting engagement planning memorandum (see point 7 below) should be prepared and presented concurrently with the engagement letter
7. Summarise the key consulting engagement planning decisions in the audit planning memorandum.

The consulting engagement planning memorandum should summarise the engagement initiation phase and provides a platform for the Chief Audit Executive to review and ensure that the planning is progressing satisfactorily.

- The results of the steps completed thus far should be documented in a consulting engagement planning memorandum. The consulting engagement planning memorandum typically includes the following:
 - Engagement title;
 - Engagement code;
 - Engagement sponsor;
 - Background information;
 - Rationale for the engagement;

- Engagement objectives and scope;
- A high level overview of the process or business area, including control objectives and risks (where relevant);
- Timeline of key events (e.g. opening meeting, commencement and completion of fieldwork, closing meeting, report issuance);
- Engagement team members and their roles;
- Stakeholders i.e. intended recipients of the report;
- Challenges and mitigating actions;
- Work locations;
- Time and expense budget.
- The Senior Manager: Internal Audit should sign the audit planning
- Memorandum prior to the commencement of fieldwork.

3.3 Consulting Engagement Detailed Scoping

International Standards for the Professional Practice of Internal Auditing:

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

2220 – Engagement Scope

“The established scope should be sufficient to satisfy the objectives of the engagement”.

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 course of the engagement, these reservations must be discussed with the client to determine whether to continue with the engagement”.

Overview:

In terms of Practice Advisory Note 1000.C1-2: Additional Considerations for Formal

Consulting Engagements:

Internal auditors should reach an understanding about the objectives and scope of the consulting engagement with those receiving the service. Any reservations about the value, benefit, or possible negative implications of the consulting engagement should be communicated to those receiving the

service. Internal Auditors should design the scope of work to ensure that professionalism, integrity, credibility, and reputation of the internal audit activity will be maintained.

In planning formal consulting engagements, internal auditors should design objectives to meet the appropriate needs of management officials receiving the service. In the case of special requests by management, internal auditors may consider the following actions if they believe that the objectives that should be pursued go beyond those requested by management:

- Persuade management to include the additional objectives in the consulting engagement; or
- Document the fact that the objectives were not pursued and disclose that observation in the final communication of consulting engagement results; and
- Include the objectives in a separate and subsequent assurance engagement.

Key Steps:

1. Identify and document the control objectives in relation to the activity, process or system being reviewed.
2. Identify and document the risks that will impact on the achievement of these control objectives and update the client risk profile.
3. Document our understanding of the system/process flow.
4. Perform a walkthrough to validate our understanding of the system/process flow.
5. Identify controls that mitigate the risks identified and evaluate their design effectiveness.
6. Summarise the assessment in a risk and control matrix.
7. Identify and document gaps in controls and/or recommendations for improvement for communication to the client.

Note: While these steps are typical, the nature of the consulting engagement may require detailed testing only. However, where possible, all work should be linked back to risks and controls such that the consulting engagement is able to inform the risk management process effectively.

Refer to Phase 2: Engagement Risk Assessment and scope (3.3) for the guidance related to this section.

3.4 Engagement Resource Allocation

International Standards for the Professional Practice of Internal Auditing:

2230 – Engagement Resource Allocation

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

1210.C1

“The chief audit executive must decline the consulting engagement or obtain competent advice and assistance if the internal audit staff lack the knowledge, skills or other competencies needed to perform all or part of the engagement”.

Key objectives:

To allocate appropriately skilled and experienced staff to the engagement that will result in the achievement of the engagement objectives.

Key steps:

Determine the staff required for the engagement, taking into account the complexity of the assignment and the need for specialist skills.

3.5 Consulting Engagement Plan and Work Programme

International Standards for the Professional Practice of Internal Auditing:

2240.C2 –

“Work programs for consulting engagements may vary in form and content depending upon the nature of the engagement.”

Key Objectives:

Develop the consulting engagement approach (scope of work, method of testing, depth of testing etc.)

Key Steps:

1. Develop a work programme for the consulting engagement, taking into account the specific objectives and scope of the engagement.

- The audit programme should be developed by the Assistant Manager to address the key engagement objectives and, where appropriate, should be based on the key controls identified in risk and control matrix.
 - The audit programme should be reviewed by the Audit Manager.
2. Develop a detailed consulting engagement project plan setting out the tasks to be completed.
- The detailed consulting engagement project plan should be prepared by the Audit Manager.
 - Staff members should be allocated to the specific tests depending on their level of competence and experience.
 - Hours should be allocated to the specific tests and the timing and specific milestones/deadlines documented.
 - Adequate provision should be made in the detailed engagement project plan for onsite supervision and review.
 - Throughout the engagement, the Assistant Manager should monitor the execution of the engagement project plan and prepare weekly updates, using the status report template, for the Audit Manager and the Chief Audit Executive

3.6 Engagement Project Plan and Work Programme Approval

Key steps:

1. Review and approve the audit programmes and engagement project plan.

The Audit Manager should review and sign the engagement project plan and work programmes preferably prior to the commencement of fieldwork but not more than one week after the commencement of fieldwork.

4. Phase 3: Performing the Consulting Engagement

The overall objective is to ensure that the internal audit team, having the knowledge of the processes undertaken in phase 1 and 2, execute the consulting engagement in a planned, structured and systematic manner, delivering work of a high quality, in order to achieve the objectives, set for the engagement.

In terms of Practice Advisory Note 1000.C1-2: Additional Considerations for Formal

Consulting Engagements:

Internal Auditors should document the work performed to achieve the objectives of a formal consulting engagement and support its results.

The same principles, as applied to internal audit engagements, will be applicable when performing a consulting engagement i.e. the following key phases will be applied:

Performing the Audit:

4.2 Mobilising the engagement team

4.3. Executing the approved work programme.

4.4. Documentation of all work performed.

4.5. Supervision and review throughout the engagement.

5. Phase 4: Communicating Results and Completion

International Standards for the Professional Practice of Internal Auditing:

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.”

2440.C1 –

“The Chief Audit Executive 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 Audit Committee.”

The overall objective of the communication process is to ensure that the results of the consulting engagement are communicated to the client in a manner that is accurate, clear, concise and timely.

In terms of Practice Advisory Note 1000.C1-2: Additional Considerations for Formal

Consulting Engagements:

The format for communicating results of the consulting engagement should clearly describe the nature of the engagement and any limitations, restrictions, or other factors about which users of the information should be made aware.

The process set out on Phase 4: Communicating Results and Completion for the drafting, communicating and clearing of internal audit reports should also be applied to consulting engagement reports:

5.2 Reporting to Senior Management

5.2.1 Draft Reporting

5.2.2 Final Reporting

5.3 Reporting to the Audit Committee

5.4 Completion

9. PHASE 5: QUALITY ASSURANCE

6.1 Quality Assurance Programme

International Standards for the Professional Practice of Internal Auditing:

1310 – Requirements for the Quality Assurance and Improvement Program

“The quality assurance and improvement programme must include both internal and external assessments.”

1311 – Internal Assessments

“Internal assessments should include:

- *Ongoing monitoring of the performance of the internal audit activity.*
- *Periodic self-assessments or assessments by other persons within the organization with knowledge of internal auditing practices.”*

1312 – External Assessments

“External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization...”

The overall objective is to ensure the quality of the Internal Audit Unit. The quality assurance programme as set out in Phase 5: Monitoring Process (6.1) should equally be applied to consulting engagements.

6.2 Monitoring process

International Standards for the Professional Practice of Internal Auditing:

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

Depending on the objectives and results of the consulting engagement, the performance of follow-up procedures might be considered necessary and appropriate. In these circumstances, the same approach as set out in Phase 5: Monitoring Process: Follow up of

Previous Audit findings (6.2) for internal audit assignments should be followed.

7.4.5 New audit findings

In cases where the internal auditor identifies new findings during the follow-up review, these need to be including in the follow-up internal audit report in the normal format of an audit report.

7.4.6 Output

The output of this phase is the Follow-up review work papers and report. The internal audit project file would be declared final once the follow up audit is finalized and presented to the Audit Committee

8. Quality assurance

The Chief Audit Executive must undertake regular reviews throughout the audit assignment to ensure adherence to this methodology and also to enhance quality.

All completed client satisfaction surveys must be sent to the Chief Audit Executive for review. A Project review checklist must also be completed for each phase of the audit and on finalisation of the audit assignment.

In order to improve on the quality of Internal Audit as a whole, self-assessment on the quality of Internal Audit will be conducted once every year. An external quality assurance review will also be conducted every three year years by a service provider accredited by the Institute of Internal Auditors in line with the International standards for the Professional Practice of Internal Auditing.

The results of the quality assessment done on Internal Audit together with action plan for improvement will continuously be communicated to the Audit Committee.

10. DEVIATIONS FROM THE METHODOLOGY

Adherence to this methodology is required for all system reviews. Deviations from this methodology during reviews must be documented, justified and authorised by the Audit committee.

11. LIAISON WITH THE OFFICE OF THE AUDITOR GENERAL

Although it is common knowledge that both Internal Audit and the Office of the Auditor General have different mandates and reporting requirements, a close relationship must be maintained to ensure optimisation in the utilisation of auditing resources. Coordinated planning meetings must be conducted to ensure that where possible, there is no duplication of efforts and that there is adequate audit coverage.

12. CHANGE CONTROL

Any proposals for changes to this document must be forwarded to the Audit Committee for evaluation. Where necessary, updates of the document must be issued from the Internal Audit Office.

13. DOCUMENT REVIEW

The audit methodology shall be reviewed every three years from the date of approval or when the need arises, by the Chief Audit Executive and be finally approved by the Audit Committee.

13 Final sign-off

The Chief Audit Executive (CAE) is responsible for the quality and integrity of all final audit reports and therefore sign-off the audit file, as evidence of applying due professional care, and submits the final audit report to the Audit Committee for perusal and authorisation. Before signing-off the audit file, the CAE must ensure that the audit evidence obtained supports the scope, objectives and findings of the audit review. This is done by appropriate review throughout the audit project life cycle.

14. Identification of audit projects

The following audit classification would be executed by Internal Audit: Risk Based, Performance, Forensic, Mandatory, Information Technology, Ad Hoc and Follow ups. The projects would be coded as follows for the purpose of identification:

Project Name, Division Audited, Financial Year, and Number in the series

E.G. **MAN/V7/2018/19-001**

MAN/RBA/FRBA: represents Mandatory Audits, this part identifies the project group or name as per the above classification

V7: represents Vote 7 or Division abbreviation in the case of specific division being audited

2018/19: Financial year covered

001: Number one (1) in that series,

14. VERSION CONTROL AND CHANGE HISTORY

| Version Control | Date Effective | Approved By | Amendment |
|------------------------|-----------------------|--|--|
| 2022 | April 2022 | Ms N Mtebele – Chairperson of the Audit Committee | No amendments |
| 2024 | April 2024 | Mr P Zitumane – Chairperson of the Audit Committee | Minor Additions on the following pages; 35,36 and 49. |

