INTERNAL AUDIT MANUAL

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Contents

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Document Versions

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Document Reference Library

Document File Name	Context and Relevance
GEPF Internal Audit Manual	The purpose of this manual is to provide standards, guidelines and procedures for the performance and promotion of value added internal audit services within Government Employees Pension Fund (GEPF).

Regulatory Framework

Document File Name	Context and Relevance
King IV (Rules on Good Corporate Governance)	Principle 15 requires companies/organisations to establish an assurance function to enable an effective control environment.
Internal Audit Standards	International Standards for the Professional Practice of Internal Audit
COSO Framework	Committee of Sponsoring Organisations of the Treadway Commission divides internal control objectives into three categories: operations, reporting and compliance. Operations objectives, such as performance goals and securing the organization's assets against fraud, focus on the effectiveness and efficiency of business operations.

Business Areas Impacted By This Policy

Name Business Unit / Area	Context and Relevance
Internal Audit	Responsible for reviewing and updating the Internal Audit Manual

Glossary of Terminology

Abbreviation/Terminology	Description
GEPF	Government Employees Pension Fund
BoT	Board of Trustees of GEPF
PEO	Principal Executive Officer of GEPF
EXCO	Executive Management
External Auditors	Refers to statutory auditors (i.e., responsible for audit of the financial statements)
IIA	Institute of Internal Auditors
CIA	Certified Internal Auditor
IT	Information Technology
ISPPIA	International Standards for the Professional Practice of Internal Audit
IAF	Internal Audit Function
FAC	Finance and Audit Committee
PIC	Public Investment Corporation
GPAA	Government Pensions Administration Agency

1   Introduction

This manual describes the audit methodology followed by GEPF Internal Audit. It is based on best practices regarding the professional practice of internal auditing and is intended to give guidance as to how to approach an audit project, starting from the phase of planning an audit assignment/project until the reporting and follow-up phase.

1.1   Purpose

The purpose of this manual is to provide standards, guidelines and procedures for the performance and promotion of value-added internal audit services within Government Employees Pension Fund (GEPF). These guidelines aim to provide consistency, stability, continuity, standards of acceptable performance, and a means of effectively coordinating the efforts of Internal Audit staff members.

The manual describes the nature of internal audit services and provide quality criteria against which the performance of these services can be measured. Although this manual provides guidance, auditor's sound professional judgment is encouraged during performance of audits within the acceptable professional practice framework.

The Standards and relevant government legislation are the pillars for this audit manual.

The manual provides a guidelines pertaining to the services that are being rendered by the Internal Audit function (IAF) as outlined in the Internal Audit Charter, which is consistent with the definition in the International Professional Practices Framework (IPPF) of the Institute of Internal Auditors (IIA).

The manual is envisaged to meet the following objectives:

- Compliance with the IPPF.
- Alignment to quality assurance requirements.
- Promoting value adding internal audit services taking cognisance of organisational operational effectiveness.
- Entrenching a risk-based approach.
- Promoting a common understanding of technical terms and language.
- Promoting easy implementation.
- Ascribing to the COSO and COBIT framework as a control model, and
- Compliance to the stipulations of relevant legislation.

This document will act as a policy and procedure manual for GEPF Internal Audit and will be reviewed on an annual basis to accommodate changes emanating from the IIA Standards and related new developments which could improve the manual and ultimately contribute to a more streamlined and efficient audit process.

This manual is applicable in the event where a service provider is appointed to provide internal audit services to the GEPF.

1.2   Applicable Risk and Control Frameworks

The Internal Audit Function (IAF) has adopted the following control approaches in auditing the adequacy and effectiveness of internal controls:

Sponsoring Organisations of the Treadway Commission's (COSO) Frameworks:

- COSO Internal Control Framework; and
- COSO Enterprise Risk Management (ERM) Framework.

Control Objectives for Information Technology (COBIT) Framework.

It is imperative to know that internal control is a process, effected by an entity's Board, management and other personnel, which is designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations.
- Reliability of reporting.
- Safeguarding of Assets; and
- Compliance with applicable laws, regulations, procedures and rules.

Internal Control Framework:

A depiction of the Internal Control Framework is reflected hereunder:

COSO Internal Control Framework

ERM Framework:

A depiction of the ERM Framework is reflected hereunder:

Enterprise Risk Management—Integrating with Strategy and Performance clarifies the importance of enterprise risk management in strategic planning and embedding it throughout GEPF because risk influences and aligns strategy and performance across all Business Units and functions.

Figure 2: COSO's Enterprise Risk Management Framework

COBIT 5 Framework:

The Information Technology (IT) environment should be audited against the COBIT 5 Framework. It should be noted that all government organisations should adopt the Governance of ICT Framework as prescribed by the Department of Public Service Administration (DPSA), which is informed by COBIT 5 processes.

The Government Information Technology Officer Council (GITOC) (2012) adopted 12 minimum processes that should inform implementation. These processes are informed by the priority focus areas for ICT audits, as defined by the Auditor-General (AG).

The COBIT 5 IT related goals consist of the following:
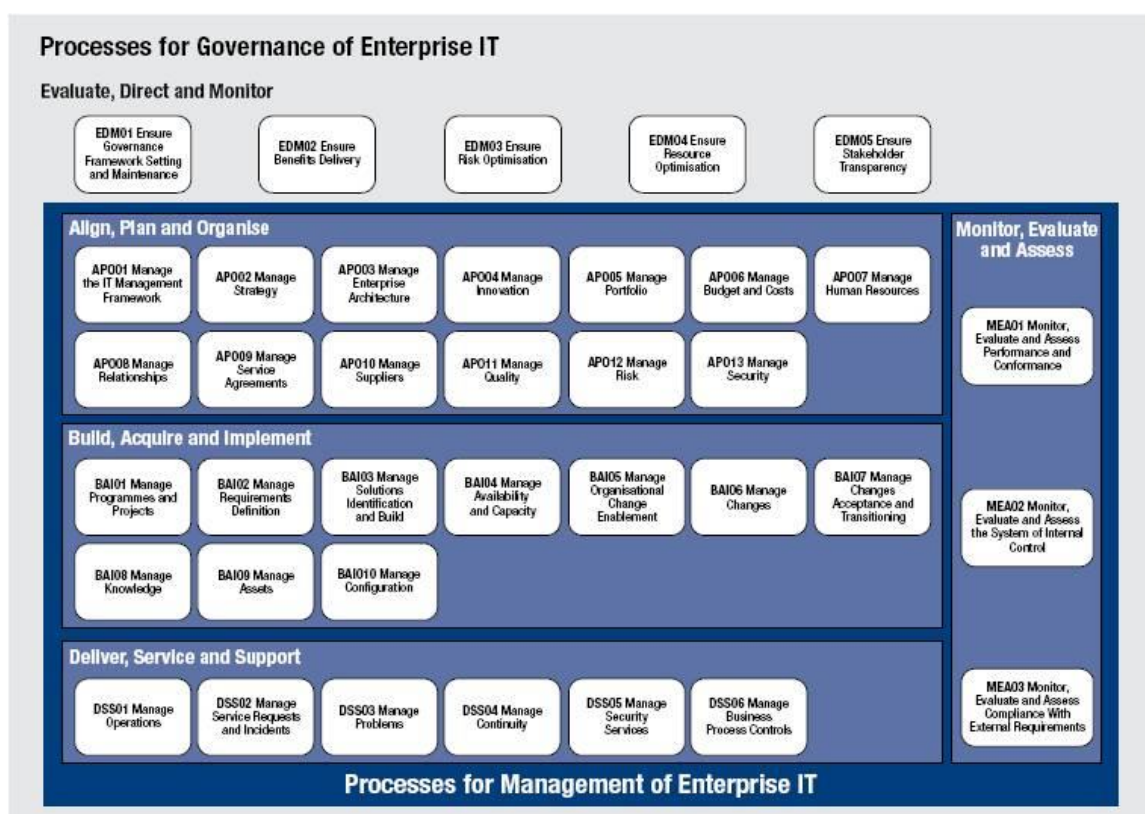
1.3   Mission of Internal Audit

The mission of the IAF is to provide independent, objective assurance and consulting services designed   add value and improve the GEPF's operations. The IAF assist the GEPF in achieving its strategic objectives by providing a systematic, disciplined approach to evaluate and improve the effectiveness of GEPF's risk management, control, and governance processes.

The IAF endeavours to provide innovative, responsive and effective value-added assurance and consulting services, by assisting the GEPF management in reviewing the effectiveness and efficiency of the governance, risk management, control processes, and recommending improvements on the weaknesses thereof. GEPF Internal Audit (IA) also plays an oversight role to monitor the assurance provided by GPAA and PIC.

The IAF will adhere to The Institute of Internal Auditors' (IIA) Mandatory Guidance, which includes the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing, and the Definition of Internal Auditing. The IIA's Mandatory Guidance constitutes the fundamental requirements for the professional practice of internal auditing and the principles against which to evaluate the effectiveness of the IAF's performance.

In doing so, the IAF will adhere to the International Standards and the Code of Ethics as laid down by the IIA for the Professional Practice of Internal Auditing and the Code of Ethics.

1.4   The Role of Internal Audit

The role of internal audit is to provide independent and objective assurance that an organisation's risk management, governance and internal control processes are operating effectively. Internal must be independent from the operations we evaluate and

report to the highest level in an organisation: administratively to the Principal Executive Officer (PEO) and functionally to the Finance and Audit Committee (FA-C).

The FA-C of the Board of Trustees (BoT) mandate as documented in its Terms of Reference spells out the role of Internal Audit in supporting the FA-C in its oversight responsibility.

The Internal Audit Charter as the second most authoritative source after the FA-C Charter clearly defines the purpose, authority and responsibilities of Internal Audit.

Accordingly, the Internal Audit team members are expected to familiarise themselves with the content of the manual and ensure that they fulfil the mandate.

2   **Code of Ethics and IIA Standards**

The purpose of the Institute's Code of Ethics is to promote an ethical culture in the profession of internal auditing.

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

A code of ethics is necessary and appropriate for the profession of internal auditing, founded as it is on the trust placed in its objective assurance about risk management, control, and governance.

The Institute's Code of Ethics extends beyond the definition of internal auditing to include two essential components:

- Principles that are relevant to the profession and practice of internal auditing;
- Rules of Conduct that describe behaviour norms expected of internal auditors. These rules are an aid to interpreting the Principles into practical applications and are intended to guide the ethical conduct of internal auditors.

The Code of Ethics together with The Institute's Professional Practices Framework and other relevant Institute pronouncements provide guidance to internal auditors serving others.

The IIA Standards
The International Standards for the Professional Practice of Internal Auditing (Standards) make provision for all internal auditors to perform their internal audit services in accordance with the Standards.

The purpose of the Standards is to:

- Guide adherence with the mandatory elements of the International Professional Practices Framework.
- Provide a framework for performing and promoting a broad range of value-adding internal auditing services.
- Establish the basis for the evaluation of internal audit performance.
- Foster improved organisational processes and operations.

The Standards comprise of two main categories:

2.1   Attribute and Performance Standards. Attribute Standards address the attributes of organizations and individuals performing internal auditing. Performance Standards describe the nature of internal auditing and provide quality criteria against which the performance of these services can be measured. Attribute and Performance Standards apply to all internal audit services.

Purpose, Authority, and Responsibility (1000)

The purpose, authority, and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework (the Core

Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards, and the Definition of Internal Auditing). The chief audit executive must periodically review the internal audit charter and present it to senior management and the board for approval.

The Internal Audit Manager must periodically review the internal audit charter and present it to executive management. This Internal Audit Charter is endorsed by the PEO, recommended by the FAC and approved by the Board of Trustees.

According to the IA Charter, Internal Audit is authorised to:

- Have full and uninhibited access to the Board of Trustees and all its subcommittees, in particular FAC and the PEO and executive management of GEPF;

- Have unrestricted access to all relevant functions, records, property and personnel;

- Allocate its own resources; determine frequency, subjects, scope of work to be performed and apply the techniques required to accomplish its audit objectives; and

- Obtain the necessary assistance of personnel in the various divisions, departments, sections and business units of GEPF where they perform internal audit reviews, as well as other specialised services from within or outside the organisation.

Internal Audit is not authorised to:

- Perform any operational duties for the GEPF;

- Initiate or approve accounting transactions external to the Internal Audit; and

- Direct the activities of any GEPF employee except to the extent that such employees have been appropriately assigned to the Internal Audit teams or to otherwise assist the Internal Auditors in carrying out investigations.

Please refer to **Appendix A** for the Internal Audit Charter.

2.2 Independence and Objectivity (1100)

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

The Internal Audit Manager must report to a level within the Fund that allows the IAF to fulfill its responsibilities. The Internal Audit Manager must confirm to the FAC and the Board, at least annually, the organisational independence of the IAF.

Internal audit reports administratively to the PEO and functionally to the FAC and should have unrestricted access to the Chairperson of the FAC and the Chairperson of the Board, the PEO and Executive Management (EXCO). Internal Auditors must be objective and maintain an independent mental attitude when performing assignments. They must have an impartial, unbiased attitude and avoid conflict of interest.

Accordingly, all Internal Auditors are required to sign a declaration of independence before commencement of each audit project/assignment.

Independence and objectivity must be addressed during the audit planning of each audit to remind Internal Audit staff of the importance of maintaining an independent mental attitude when conducting audits.

Internal Auditors must refrain from reviewing and/or assessing specific operations for which they were previously responsible for within the previous year.

2.3 Proficiency and Due Professional Care (1200)

Engagements must be performed with proficiency and due professional care.

2.3.1 Proficiency (1210)

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

The Internal Audit Manager must ensure that members assigned to each engagement collectively possess the necessary knowledge, skills, and disciplines to conduct the audit properly and each auditor possesses the knowledge, skills, and other competencies needed to perform his/her individual responsibilities.

Internal Auditors are encouraged to demonstrate their proficiency by obtaining appropriate professional certifications and qualifications, such as the Certified Internal Auditor (CIA) designation and other designations offered by the IIA and other appropriate professional organisations.

If the Internal Audit staff does not possess the required expertise to conduct an audit or consulting project, the Internal Audit Manager has the option of declining the engagement or obtaining the required expertise through training or the use of consultants. If the Internal Audit Manager decides to use and rely on the work of an outside consultant or service provider, s/he will assess the competency, independence, and objectivity of the outside service provider and ensures that the co-sourcing agreement factors issues such as the skills transfer to the Internal Audit staff.

2.3.2 Due Professional Care (1220)

Internal Auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor.

Internal Auditors must use reasonable audit skill and judgment in performing the audits and consider the following:

- Extent of audit work needed to achieve the audit objectives;
- Relative materiality or significance of matters to which audit procedures are applied;
- Adequacy and effectiveness of risk management, control, and governance processes;
- Audit cost relative to potential benefits;
- Probability of significant errors, irregularities, or noncompliance; and
- The use of technology – based audit tools and other data analysis techniques.

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

2.3.3 Continuing Professional Development (1230)

Internal Auditors must enhance their knowledge, skills, and other competencies through continuing professional development.

Personal Development Plans will be developed at least annually as part of the staff performance agreements concluded in compliance with GEPF performance management system.

The performance development plans must be based on performance assessments and evaluations of audit team members, wherein the knowledge/skills gaps are identified relevant to ensuring the Internal Audit team performs at its peak. It is thus critical that staff members are assessed after each assignment to ensure that performance goals are on track

Accordingly, a combination of on-the-job, internal and external training intervention such as qualifications, certification and other courses, seminars and workshops should be attended to address the identified gaps. This must include not only the IIA accredited training interventions but other courses necessary to ensure audit team members becomes effective and versatile e.g. soft skills courses, etc.

Feedback will be given to the team after each assignment and an assessment will be performed. A team briefing session will also be scheduled after each review. Refer to **Appendix B** for the Team Briefing Template

Refer to the Performance Management Policy of the GEPF for the evaluation of the IAF staff.

2.4 Quality Assurance and Improvement Programs (1300)

The chief audit executive must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity.

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

The establishment and implementation of a quality assurance and improvement program for the Internal Audit Activity is required by the IIA Standards. The objective of the program is to ensure achievement of audit objectives, performance of audits in accordance with applicable standards, and development of staff.

2.4.1 Independent internal quality assurance review

Internal Assessments (1311)

Internal assessments must include:

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

- *Periodic reviews performed through self-assessment or by other persons within the organization with sufficient knowledge of internal audit practices.*

An independent quality review will be performed by the Internal Audit Manager after the final report has been issued after each assignment. A standard evaluation form should be used for the independent review. Refer to **Appendix S** for the template to be used for the independent quality review.

Internal assessments can provide both quality assurance to audit management and training for staff. The assessments can be done regularly or intermittently.

The assessments are appraisals of how well auditors and supervisors have complied with the IIA Standards and Internal Audit Manual.

They encompass the work of both staff and audit management and are an evaluation of a sample of audit working papers and reports. The assessments should also provide recommendations for improvement. The internal assessments should typically be performed by a senior auditor, audit management, or combination thereof.

2.4.2 Independent external quality assurance review

External Assessments (1312)

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

- *The form and frequency of external assessments.*

- *The qualifications and independence of the external reviewer or review team, including any potential conflict of interest.*

  The purpose of the external assessments is to provide an independent assurance of quality to the FAC and others such as external auditors who may rely on the work of the IAF.

  In compliance with the IIA Standards, an external assessment of the work performed by the IAF will be performed at least every five years to appraise the quality of the Internal Audit's operation. Upon completion, the IAF will receive a formal, written report expressing an opinion as to compliance with the IIA Standards and will include recommendations for improvement as appropriate. The Internal Audit Manager should communicate the results of external assessments to the FAC.

  At the end of the audit once the audit report has been finalised and discussed with the client, feedback from the client should be obtained on the quality of services' rendered by the Internal Audit unit. As part of the services' provided by Internal Audit,

ongoing effort to evaluate and continuously improve its service quality and client satisfaction should be monitored through a questionnaire designed to focus on the level of quality of services rendered by Internal Audit. This will aid the Internal Audit unit to direct the client to answer questions that are of importance to enable it to improve its services.

Refer to **Appendix C** for the Client Survey

2.4.3   Reporting on the Quality Assurance and Improvement Program (1320)

The chief audit executive must communicate the results of the quality assurance and improvement program to senior management and the board. Disclosure should include:

- *The scope and frequency of both the internal and external assessments.*

- *The qualifications and independence of the assessor(s) or assessment team, including potential conflicts of interest.*

- *Conclusions of assessors.*

- *Corrective action plans.*

3   IIA Performance Standards

The Performance Standards provide for the nature of internal audit services and provide quality criteria against which the performance of these services can be measured.

3.1   Managing the Internal Audit Activity (2000)

The chief audit executive must effectively manage the internal audit activity to ensure it adds value to the organisation.

Internal Audit Framework
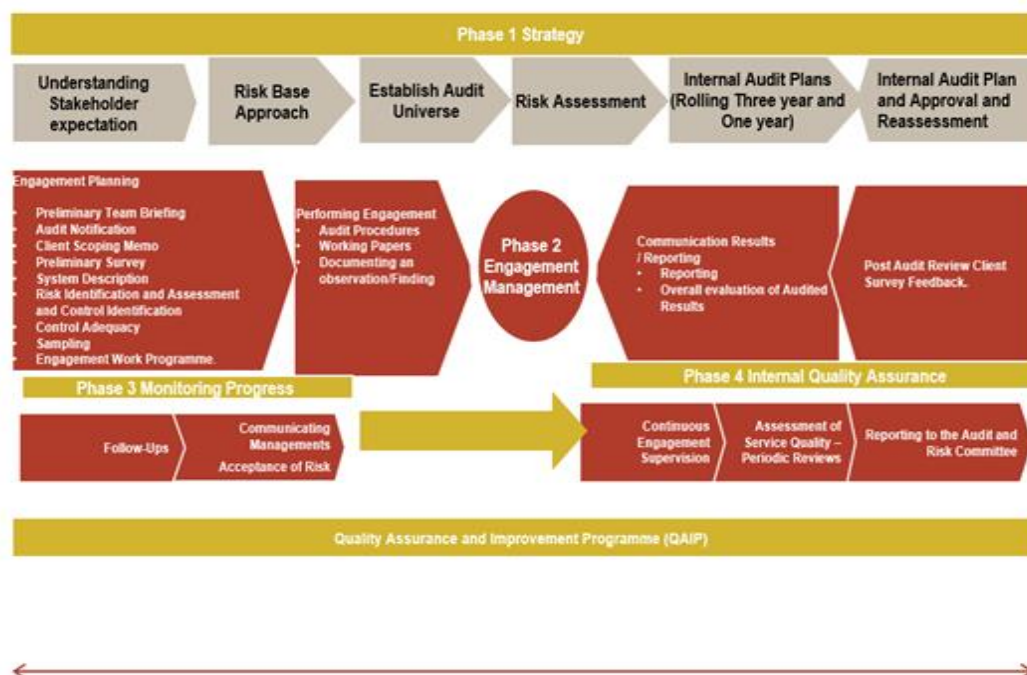
Phase 1: Strategy / Audit Approach

The risks that may prevent the Fund from achieving its strategic objectives as outlined in its Strategic Plan and Annual Performance Plan forms the basis for developing the internal audit plans of the IAF.

The outcome of the above analysis is incorporated into what is called a risk register, where both strategic and operational level risks will be considered to inform the IAPs'. The phase 1 process should be performed as follows:

3.1.1   Planning

The chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organization's goals.

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

3.1.1.1 Understanding Stakeholder Expectations

Risk management and stakeholder expectations are the two primary drivers affecting the focus and direction of the IAF. As the specifics of the drivers vary between individual business units/departments, a fundamental underlying philosophy of the IAF approach is the recognition that unique internal audit solutions are required in each business unit/department situation. In other words, a "one size fits all" approach is not appropriate

The first step is to obtain an understanding of both management's and other stakeholders' expectations, including applicable business units/departments. This may be accomplished by discussions with executive management, and operating and functional management, to the extent considered necessary. The objective is to fully understand the significant drivers of the IAF.

3.1.1.2 Risk Based Approach

To maximise audit coverage with limited internal audit resources, the IAF follows a risk-based audit approach.

I. The objectives of risk-based internal auditing is to provide independent assurance to the PEO, management of the departments/business units/areas and the FAC that the risks as identified by management are managed effectively/ appropriately and that the organisation will at the end achieve the business objectives.

II. As part of a risk-based approach the first step is to conduct a risk assessment that is based on a holistic model focusing on the complete audit universe in order to identify areas with the greatest audit need.

III. On an individual assignment level, the application of this approach is based on the understanding of the business units and business objectives, focuses on those specific risks that may hinder the achievement of the objectives. It is tailored according to circumstances based on the internal auditor's professional judgment, which may vary from time to time in order to avoid a pure mechanistic execution of the audit approach.

IV. The results of the risk assessment, data analysis, discussions with management and our knowledge of the business will be used to identify specific risks and areas of audit focus. By continuously evaluating risk during the audit/review, we may determine at any phase of the audit that no further work is needed to conclude on the risk management, control and governance processes of the area under review. Upon validating this conclusion with the client/customer, the audit may be ended and an audit report issued.

V. The outcome of this approach will enable internal audit, to focus on performing value-added cost-effective audits, aligning with business units' expectations/deliverables, strategic objectives and the risk profile of our clients.

3.1.1.3 Identifying the Audit Universe

Establishing and identifying the Audit Universe is the first step of the annual internal audit planning process and is critical to ensure that all risks have been appropriately considered to enable Internal Audit to provide the FAC with the appropriate level of assurance on the internal control environment.

The Audit Universe (at the highest level) comprises the activities, operations, and units etc., to be subjected to audit during the planning period. The audit universe is designed to reflect the overall objectives and therefore includes components from the strategic

plan of the organisation. Thus, the audit universe is affected by the risk management process of the organisation. The audit universe and the related audit plan should also reflect changes in the management's course of action, Board's objectives, etc.

It is critical to take into account that the audit universe does not equal the internal audit plan but forms the basis of the internal audit plan.

IT Audit Universe

Business processes are reliant on Information Technology (IT) to support and at times are fully reliant on these systems to ensure that the business objectives are met through the daily functioning of key business processes and operations. In determining the audit universe it is therefore important that the supporting IT systems are included as they form part of the universe in which risks may materialise.

COBIT provides a structure to define the IT audit universe and is built around the types of IT resources of which COBIT has defined four namely:

1. *Applications:* automated user systems and manual procedures that process the information
2. *Information:* data input, processed and output by the systems
3. *Infrastructure:* technology and facilities that enable the processing by the applications; and
4. *People:* employees required to plan, organise, acquire, implement, deliver, support, monitor and evaluate the information systems and services.

The audit universe should be reviewed and tested for completeness on an annual basis at least. The universe should be tested for completeness against the following criteria:

- Organisational unit
- Business objectives
- Primary services/functions
- Critical/major business processes/value chain
- IT Applications
- IT Infrastructure
- Applicable Laws and Regulations
- Geographic locations/branches
- Internal hand-offs
- Change projects
- Significant business risks
- Issues Identified by External Audit
- Issues Identified by Internal Audit, etc.

3.1.1.4 Risk Assessment

Internal Audit should use the Fund's risk assessment(s) as a basis to inform its Internal Audit Plans and where necessary obtain further information where there is uncertainty, by:

- Conducting interviews with management/ staff.
- Review of minutes of management meetings (for any key decisions or changes within the Entity).
- Review of media reports.

- Review of areas within the audit universe that has not been audited in the last three years, etc. and
- Listing and prioritising the key risk areas for audit, by ranking them from the highest to the lowest risk.

3.1.1.5 Internal Audit Risk-based Strategic Plan

Internal Audit will prepare the risk based annual internal audit plan and a Three-year Rolling Strategic Internal Audit Plan based upon the results of a strategic risk assessment process, as well as inputs from EXCO and the FAC. The results of the assessment will be recorded and summarised in the Three-year Rolling Strategic Internal Audit Plan in order to provide a holistic view of risks and assurance within the GEPF.

The critical success factors for an effective Internal Audit Plan are that it:

- Is aligned with strategic objectives of the organisation;
- Covers the strategic risk areas facing the organisation, not just the financial risks and controls;
- Is risk based – addresses the key risk areas/concerns of management;
- Is prepared in consultation with EXCO, the FAC and External Auditors; and
- Matches assurance needs with available resources.

3.1.1.6 Annual Risk-based Internal Audit Plan

The annual risk-based Internal Audit Plan will be aligned with the strategic risks identified and could encompass, amongst others, compliance, financial, IT and cyclical reviews.

Internal Audit will, in conjunction with EXCO, identify those areas where internal audit activities should be directed. These could mainly include areas where there is a high inherent risk.

The output of the risk assessment process (i.e. Strategic Risk Register) at the GEPF will, amongst others, be used to develop the Internal Audit Plans by:

- Identifying and allocating a priority ranking to the respective audit areas;

- Based on experience, establishing the need and appropriateness for specific types of audits/ reviews;

- Assessing the level of audit skills and estimating resources required for each type of audit/review; and

- Determining a proposed timetable for the respective audits/reviews.

The planned Internal Audit activities will be focussed at strategic, process and component level, as appropriate.

The plan for each year will be determined by the priority ranking (based on the annual risk assessment results) of identified audit areas and the expertise and resources available to Internal Audit.

The plan will also include high risks that are outsourced and/or managed at GPAA and PIC (by means of the Service Level Agreement (SLA) and Investment Mandate, respectively)

3.1.2 Communication and Approval (2020)

The chief audit executive must communicate the internal audit activity's plans and resource requirements, including significant interim changes, to senior management and to the Audit Committee for review and approval. The chief audit executive must also communicate the impact of resource limitations.

The Annual Internal Audit Plan and the Three-year Rolling Internal Audit Plan must be presented to the BoT through the FAC for approval.

Management and the FAC agreement to the coverage plan are critical to ensure organisational expectations are met and that management and the FAC retains responsibility for the audit plan. Such agreement, regardless of the form, should be documented in the record of work performed.

Once the plan is approved, it may be helpful to consider the need for and timing of functional specialists.

Expectation gaps between management and the FAC should be identified during the planning approval stage for further consideration.

An agreement should be reached on the balance between risk based and value-added audit effort.

The approved plan may need to be reassessed as a result of changes in the business, changes in objectives, or changes in risk factors. It may also need to be reassessed as a result of additional knowledge or information acquired during our audits. New risks identified may affect the risk priorities previously established. Such reprioritisation should be agreed with the FAC.

Consideration may be given to maintaining the Audit Universe risk assessment as a "living" document. Ongoing updates can increase knowledge management and simplify the annual planning cycle.

3.1.3 Resource Management (2030)

The chief audit executive must ensure that internal audit resources are appropriate, sufficient, and effectively deployed to achieve the approved plan.

The team competencies document will indicate that the engagement team is adequately experienced and has the knowledge and understanding to complete the engagement and that no threats to independence were identified.

3.1.4 Coordination (2050)

The chief audit executive should share information, coordinate activities, and consider relying upon the work of other internal and external assurance and consulting service providers to ensure proper coverage and minimize duplication of efforts. Reporting to Board and Senior Management **(2060)**

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. Reporting must also include significant risk exposures and control issues, including fraud risks, corporate governance issues, and other matters needed or requested by senior management and the board.

3.2 Types of Audits

Due to the complexity of GEPF, audit reviews will not always be homogenous but will take various types and forms depending on the auditable area.

a) According to the definition of internal auditing, there are two services that may be performed by internal auditors: Assurance and Consulting engagements. Assurance services are "[a]n objective examination of evidence for the purpose of providing an independent assurance on governance, risk management, and control processes for the organisation. Examples may include :

   o Financial, performance, compliance, system security and due diligence engagements" (IIA Glossary)

   o The nature and scope of the assurance engagement are determined by the internal auditor.

According to various publications of the IIA, assurance services may be classified into the following major categories:

- Financial assurance provides the analysis of the economic activity of an entity as measured and reported by accounting methods.

   o Financial auditing looks at the past to determine whether financial information was properly recorded and adequately supported. It also assesses whether the financial statement assertions about past performance are fair, accurate, and reliable.

- Compliance assurance is the review of both financial and operating controls to assess conformance with established laws, standards, regulations, policies, plans procedures, contracts, and other requirements.

- Operational assurance is the review of a function or a process to appraise the efficiency (ensuring things are done the right way) and economy (ensuring cost effectiveness) of operations and the effectiveness (ensuring right things are done) with which those functions achieve their objectives.

   o Operational auditing focuses on the present and the future. It is closely aligned with the organisation's mission, vision and objectives. Examples may be – fraud prevention, asset safeguarding, corporate social responsibility, ethics management, revenue maximisation, cost minimisation, etc. It concentrates on what is working and what is not, as well as opportunities for future improvement.

- IT assurance is the review and testing of IT (for example, computers, technology infrastructure, IT governance, mobile devices, and cloud computing, information security, etc.). Traditionally, IT auditing has been done in separate projects by IT audit specialists, but increasingly it is being integrated into all audits.

b) Consulting services are "Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organisations governance, risk management, and control processes without the internal audit assuming management responsibility. Examples include counsel, advise, facilitation, and training.

Internal auditors may, with the prior approval of the FAC, perform consulting services beyond internal audit assurance services, to assist management in meeting its objectives.

Consulting services relate to advisory and related management services activities, the nature and scope of which are agreed upon with management and which are intended to add value and improve the GEPF's operations.

The IAF shall perform additional services, which do not constitute conflict of interest, or distract from its obligation to the FAC. This will include the following types of engagements:

- Formal consulting engagements: planned and subject to a written agreement;
- Informal consulting engagements: routine activities as a part of participating in other functions that are non-audit activities;
- Special projects: such as serving on a task force to analyse operations and make recommendations; and
- Emerging consulting engagements: such as a team assembled to supply temporary help to meet a special request or an unusual deadline.

Some of the examples of audit reviews that will be performed by GEPF internal audit are as follows (they fall under one or more of the above major categories):

3.2.1 Management and Performance Audits

Management Audits – The audits entail the review and evaluation of the adequacy of the application of generally accepted management principles in achieving the desired objectives of the GEPF. The audit approach may include the following, as appropriate:

- Obtain information regarding overall component objectives and goals – assess alignment with the GEPF strategic objectives and values.

- Gather details regarding the management planning process of the component. The management planning process consists of a series of distinct steps preceded by an input from the strategic planning process and ending with an output in the form of short-term financial plans or budgets.

- Obtain information relating to the directing of the plan and evaluate the adequacy of these management actions and service delivery – consider, inter alia:

  - Delegation of authority and institutional arrangements.

  - Policies and procedures.

  - Social commitment.

  - Communication and information.

- Obtain information relating to the controlling of the execution of the plan – consider, inter alia:

  - Monitoring of relevant performance indicators.

  - Management information systems.

  - Income and expenditure analysis.

  - Staffing levels and movements.

  - Human Resource Management.

  - Asset Management.

- Evaluation of actual circumstances against accepted norms and practices.

- Identify emerging issues and provide management with the assurance that the relevant matters are properly attended to.

Management Audits involve, inter alia, the preparation of high-level process understanding documents (flowcharts), the review of relevant information, discussions with management and staff, audit fieldwork (primarily by way of walk through tests, enquiry and observation techniques) and interrogation of data files.

Operational (Performance) Audits - The approach here is similar to the approach followed for a Management Audit and are generally based on the Manual used by the South African Office of the Auditor-General and other leading practices. Performance Audits are used to evaluate the process by which the entity (or a component of the entity) achieves its strategic and operational objectives. Internal Audit (in conjunction with Management) would typically identify a focus area (a specific component of the entity) and investigate it with a view to recommending actions to improve the **economy**, **efficiency** and **effectiveness** of its operations and the related utilisation of available resources.

Internal Audit will coordinate with other assurance providers such as Monitoring and Evaluation and Forensic Investigation Units in order to avoid duplication of efforts.

3.2.2 Risk-based, Compliance and Financial Discipline Reviews

The objective of these types of reviews is to evaluate the adequacy and effectiveness of controls in respect of key business processes and related risks (linked to the strategic objectives/risks of the GEPF).

The review process should at least include the following general activities:

- Prepare/update process understanding document (flowcharts) in order to gain a comprehensive understanding of the process. This includes the identification of process activities, key risks and key controls.

- Evaluate the methods of safeguarding assets.

- Evaluate the processes in place to ensure the complete, accurate and timely recording of transactions.

- Evaluate and test the adherence to current policies, procedures, laws and regulations.

- Evaluate the adequacy of the current internal controls in place - in terms of reducing risk and promoting achievement of objectives.

- Evaluate the effectiveness of current internal controls in place for the period of review.

- Formulate recommendations for reducing risks, improving controls and increasing adherence to policies, procedures, laws and regulations.

- Confirm the findings with management and obtain agreed management actions with target dates and designated responsible officials.

3.2.3 IT Reviews

IT reviews include the evaluation of risks and internal controls within the computer information system environment to ensure the validity, accuracy, reliability and security of information. Furthermore, it includes the assessment of the efficiency and effectiveness of the computer information system environment.

Reviews typically consist of general and application controls reviews. General control reviews will typically evaluate overall controls in the IT environment and include governance, security, change management, the physical environment and delivery support. Application reviews will focus on the assessment of those specific applications which support a business process, for example, a Supply Chain application.

3.2.4 Follow – up reviews

The objective of these reviews is to evaluate the progress made by management with regards to the implementation of previously agreed upon action plans relative to areas for improvement identified by Internal Audit.

3.2.5 Ad Hoc Management Requested Reviews

In all cases when Internal Audit is requested to perform ad hoc or special assignments (i.e. work not included in the approved Annual Internal Audit Plan) the following procedures will be adhered to before any such work is accepted or performed:

- a written request must be sent to the Internal Audit Manager for all ad hoc work; and

- approval for the ad-hoc project will be granted by the Internal Audit Manager when s/he, following consultation with the Internal Audit team and, where appropriate, with the PEO, is convinced of the merit of the request; and

The Internal Audit Manager will, amongst others:

- Act as the liaison officer between Internal Audit and GEPF Management; and

- Co-ordinate all work to be performed in accordance with the approved Annual Internal Audit Plan, including additions to the scope as approved by the FAC, as well as approved ad-hoc projects.

The prioritisation of the ad-hoc and special request work will be managed within the approved Annual Internal Audit Plan and budget to ensure that the FAC's requirements in terms of audit coverage are met.

3.3   Nature of Work (2100)

3.3.1   *The internal audit activity must evaluate and contribute to the improvement of the organization's governance, risk management, and control processes using a systematic, disciplined, and risk based approach.* **Governance (2110**)

The internal audit activity must assess and make appropriate recommendations to improve the organization's governance processes for;

- *Making strategic and operational decisions.*

- *Overseeing risk management and control.*

- *Promoting appropriate ethics and values within the organisation;*

- *Ensuring effective organisational performance management and accountability;*

- *Communicating risk and control information to appropriate areas of the organisation; and*

- *Co-ordinating the activities of and communicating information amongst the board, external and internal auditors, other assurance providers, and management.*

3.3.2   Risk Management (2120)

The internal audit activity must evaluate the effectiveness and contribute to the improvement of risk management processes. The internal audit must evaluate risk exposures relating to the organizations governance, operations, and information systems regarding the:

- *Achievement of the organization's strategic objectives.*

- *Reliability and integrity of financial and operational information;*

- *Effectiveness and efficiency of operations;*

- *Safeguarding of assets; and*

- *Compliance with laws, regulations, and contracts.*

3.3.3   Controls (2130)

The internal audit activity must assist the organization in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement. Internal Audit must evaluate the adequacy and effectiveness of controls in responding to risks within the organizations governance, operations, and information systems regarding the:

- *Achievement of the organization's strategic objectives;*

- *Reliability and integrity of financial and operational information;*

- *Effectiveness and efficiency of operations;*

- *Safeguarding of assets; and*

- *Compliance with laws, regulations, and contracts.*

3.4 An overview of the Internal Audit process workflow

The following diagram details a high-level depiction of the process to be followed when conducting an internal audit assignment.

High-level overview of the process followed by GEPF Internal Audit		Process to be followed according to the IIA Standards	
Project planning	Paragraph 3	Engagement Planning (2200)	Paragraph 3.7
Project execution	Paragraph 3.9	Performing the engagement (2300)	Paragraph 3.8
Quality assurance	Paragraph	Engagement supervision (2340)	Paragraph 3.9
Project reporting	Paragraph 3.12.1	Communicating results (2400) & Monitoring progress (2500))	
Project close-out	Paragraph 3.12.3		Paragraph 3.12
Follow-up and Tracking of Findings	Paragraph 3.12.2.3		

Phase 2 - Engagement Planning

3.5   Project planning (2200 Series)

Project planning sets out the basis under which the individual Internal Audit projects will be conducted. A project plan is a key element to assist with the successful completion of an individual project. Appendix E for the Project Plan

3.5.1   Planning Considerations (2201 Series)

The following steps need to be completed during the project planning phase:
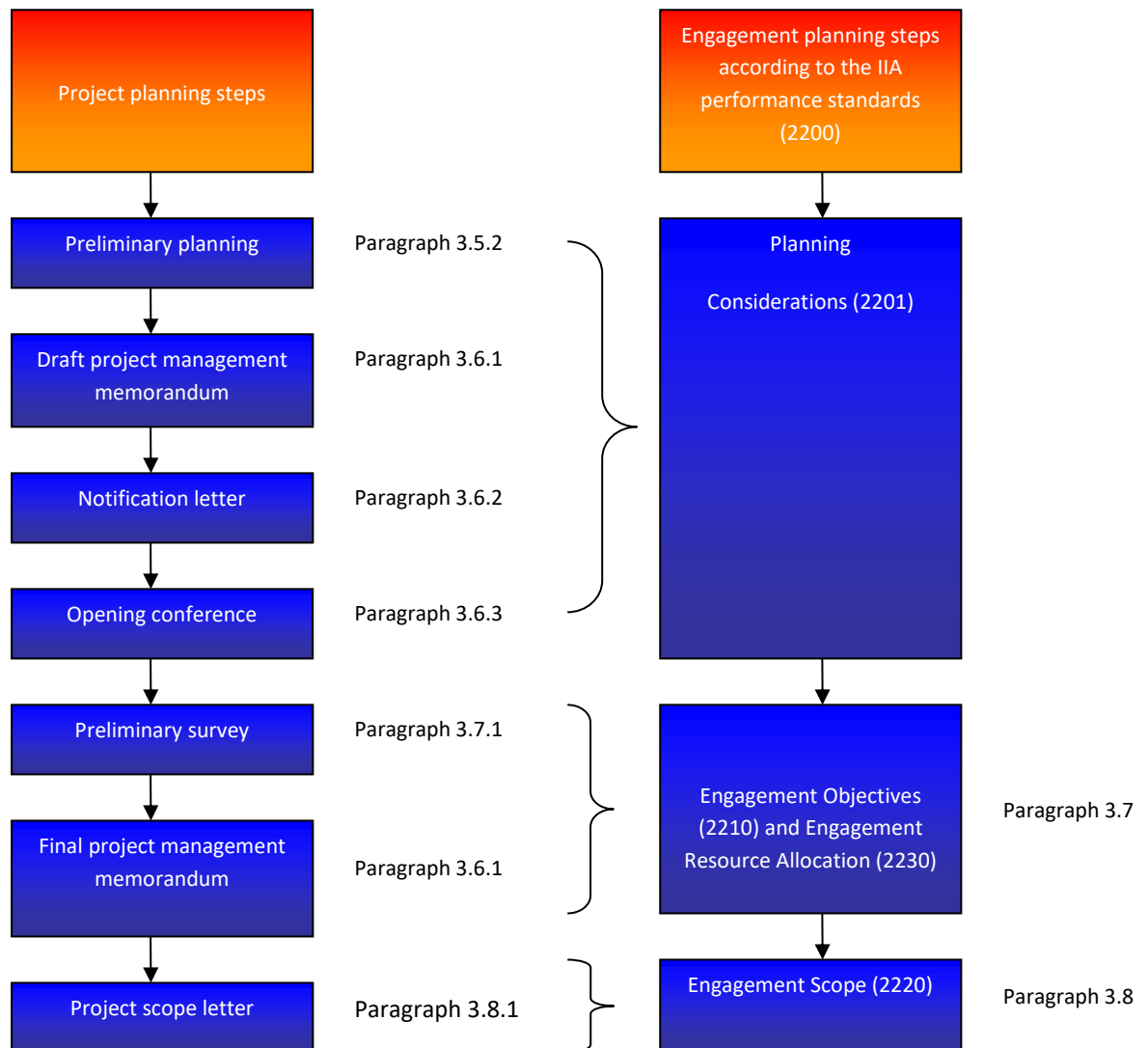
In planning the engagement, internal auditors should consider:

- *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 as well as 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 framework or model; and*

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

3.5.2 Preliminary planning

Preliminary planning needs to be performed for all Internal Audit Projects as per approved Internal Audit Plan. The planning activities need to be completed before the detailed audit work can commence. This phase will entail scheduling the project, allocating key responsibilities, contacting auditee management and the external auditors to obtain their concerns and input relevant to the planned scope of the review and making the necessary logistical arrangements.

Preliminary Team Briefing
The preliminary team briefing should take place before the start of the scheduled audit engagement/project and should include discussions on the audit engagement, team expectations, time management etc.   Appendix F for the Pre-Audit Questionnaire

3.6   Engagement Resource Allocation (2230 Series)

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.

Engagement resource allocation is based on evaluation of

a) The number and experience of staff,

b) The knowledge, skills,, and competencies of the staff;

c) Training needs; and

d) Whether external resources are required.

The Internal Audit Manager will determine appropriate and sufficient resources. The Team Competencies document will indicate that the engagement team is adequately experienced and has the knowledge and understanding to complete the engagement and that no threats to independence were identified.

3.6.1   Project Plan

The project plan provides guidance on the management of the project and serves to ensure that:

- All parties involved in the project are informed of their roles and responsibilities; and

- All known relevant issues are addressed and resolved.

A detailed budget indicating the approved hours and disbursements must exists for the project, based on the approved scope and related budget for the project. The proposed guideline for the allocation of the individual project budget's hours and/or rand value is set out below:

Phase/activity	Percentage of total budget
Planning phase	20%
Fieldwork phase	40%
Reporting	20%
Quality assurance and reporting phase	20%

The draft version of this document should be completed by the Manager(s) involved with the project prior to the commencement of the detailed planning phase of the project. It should, however, be noted that the details contained therein may be changed as the planning phase continues, but must be finalised and approved prior to the commencement of the fieldwork phase.

The Manager(s) involved in the project are required to sign the document to establish accountability and to confirm their recommendation for approval of the document. Final approval will be granted by the Internal Audit Manager. Refer to **Appendix E** for the template of the Project Plan.

3.6.2 **Notification letter**

The audit process normally begins when the Internal Audit Manager, notifies the accountable Executive of the impending scheduled audit engagement/project.

The notification letter serves to:

a. Inform the auditee of the envisaged audit,

b. Provide an indication of the anticipated commencement date thereof, as well as a brief overview of the process to be followed and

c. Alert management to an attached "Request for Information" document in which Management are requested to provide certain information for the project.

Please note that the notification letter should be issued to the client one week before the opening meeting.

All notification letters are to be signed and issued by the Internal Audit Manager (or delegate relevant Senior Internal Auditor/ Manager from the co-sourced service provider) to the auditee. Refer to **Appendix G** for the template of the notification letter.

The 'Request for Information' document (**Appendix H**) should be attached to the notification letter to enable the auditee to start collecting all the necessary documentation *(please modify the "Request for Information" document according to the information needed for the review).* This document should be addressed to the highest ranking officer within the focus area under review.

3.6.3 Opening conference

Opening conference is the forum through which Internal Audit meets with management prior to the commencement of the project. The invitation for the opening conference should clearly indicate who should be invited and also who must attend (compulsory "attendees" and optional "attendees").

The purpose of the meeting includes, amongst others:

(a) An introduction of the audit team and management,

(b) To inform and agree with management of the envisaged objectives, scope of the assignment timing of the audit and deliverables,

 (c) To obtain any additional inputs thereon and

 (d)To identify the key contacts for the projects.

The Opening Conference meeting entails the following processes:

a) The entire engagement team should attend the meeting where the Audit Planning Memorandum (APM) will be presented.

b) Discussion of the meeting should be documented on the minutes template. Minutes should reflect the depth in which following were discussed (An agenda should be drafted to reflect at a minimum the below key points):

 * Management's expectations and suggestions for the engagement
 * Planned objectives and scope for the engagement
 * Agreement on the risks identified in the area under review
 * Changes in personnel and policies and procedures in the last year
 * Fraud, errors, irregularities reported in the last year
 * Special management concerns and requests
 * Client commitment to addressing gaps identified and potential use of self-assessment methods
 * Participation of client staff in the engagement, and
 * When and with whom issues and potential recommendations will be discussed.

Refer to **Appendix I** for the templates of the agenda and minutes of the opening conference.

For completeness and accuracy purposes, it is required that minutes of the meeting are to be prepared and either given to the auditee to sign or emailed to the auditee to obtain their electronic approval (to be filed with the minutes).

3.7 Engagement Objectives (2210 Series)

The engagement's objectives must address the risks, controls, and governance processes associated with the activities under review.

3.7.1 Preliminary survey

The Internal Audit team must obtain an understanding of the processes to be audited. In order to obtain the required background information, a preliminary survey must be conducted for each and every review, unless it was decided otherwise by the managers

on the audit and agreed with the Internal Audit Manager. Sufficient reasons must be stated as to why the preliminary survey was not carried out and this must be documented and filed. Refer to **Appendix F** for an example of information that may be requested during the preliminary survey (this should be sent with the notification letter).

The preliminary survey entails **process understanding documentation** which consists of a process overview, identification of key risks and key controls and perceived control effectiveness rating (where applicable) of the process to be reviewed. Refer to **Appendix J** for a template of the process understanding document (flowchart).

Walkthrough testing should be performed for a selected sample of few items/transactions/controls during the preliminary survey to confirm the accuracy of the process understanding document.

Preliminary Survey / Pre-Audit Questionnaire:

Obtain the following information from the client where applicable:

a)   Business Plans (Operational business goals, strategic plans, budgets, previous external audit management letters, etc.)
b)   Organizational charts for the business units
c)   Job descriptions for the business units officials
d)   Applicable legislation, policies and procedures applicable to the business unit and applicable audit area under review
e)   Internal policies and procedure manual together with any proposed changes that are in draft
f)   Relevant external or consulting reports, etc.

The information acquired should be used by the Internal Auditor to understand the client's operations.

The Preliminary Survey is aimed at acquiring a better understanding of the area being audited, taking into account the updated risk analysis. A detailed risk assessment is performed taking into account, among others the detailed operational challenges experienced by management in achieving the unit's objectives. The following process should be followed to inform the Preliminary Survey:

a)   Align the audit objectives to the strategic objectives of the Fund.
b)   Identify lines of responsibility and accountability, as well as key personnel.
c)   Determine the legislation and or policies that are applicable to the area under review, such as:

- Legislative framework
- Unit structure and core mandate
- Policies and regulations, and
- Business processes.

d)   Where documented business processes are not available document the process at a high-level to map out/ highlight key controls
e)   Identify key controls of the business processes that supports the measurable objectives to be audited and determine if there are any risks impacting these controls
f)   Analyse previous assurance/ consulting findings to determine progress on corrective action made by management; and
g)   Engagement team meeting to be held to discuss the Preliminary Survey results and the audit strategy going forward.

3.8 **Engagement Scope (2220 Series)**

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

3.8.1 **Project scope letter**

The project scope letter is the key document utilised to set out the agreed detailed scope of the assignment (including specific exclusions from the project scope or requests by Management) as well as clearly defining the responsibilities of the GEPF Internal Audit and the auditee.

The project scope letter should highlight the following information:

a) The boundaries, sub-processes, and components of the area or process under review;

b) In-scope versus out of scope locations; and

c) Time frame of the engagements.

Engagement Objectives to be accomplished

a) The engagement objectives should address the governance, risks and control processes under review; and
b) Audit objectives should be designed in line with the Fund's objectives.

The scope of the audit should include, among others;
a) The period under review
b) The unit being audited; and
c) The relevant system(s) to form part of the audit engagement.
d) The period within which the audit will be performed
e) The Entity's management/ staff that will be required to provide the Internal Auditor(s) with information to be able to perform the audit;
f) The audit team that will be involved in the audit (resource allocation); and
g) The type of engagement undertaken (assurance/ consulting); and

The project scope letter should be prepared by the Auditor-in-Charge on the project. The scope letter should be reviewed and approved by the Internal Audit Manager. The project scope letter will be distributed to all person(s) reflected in the document.

The process owner need to sign and return the project scope letter within 3 days after the opening meeting. If the signed copy is not received back within 3 days the e-mail evidence that state if the signed copy is not returned the e-mail evidence will be saved as evidence of approval.

3.9 Engagement working programme and Project execution (2200 & 2300 Series)

The following diagram provides a high-level overview of the process to be followed during the project execution phase:
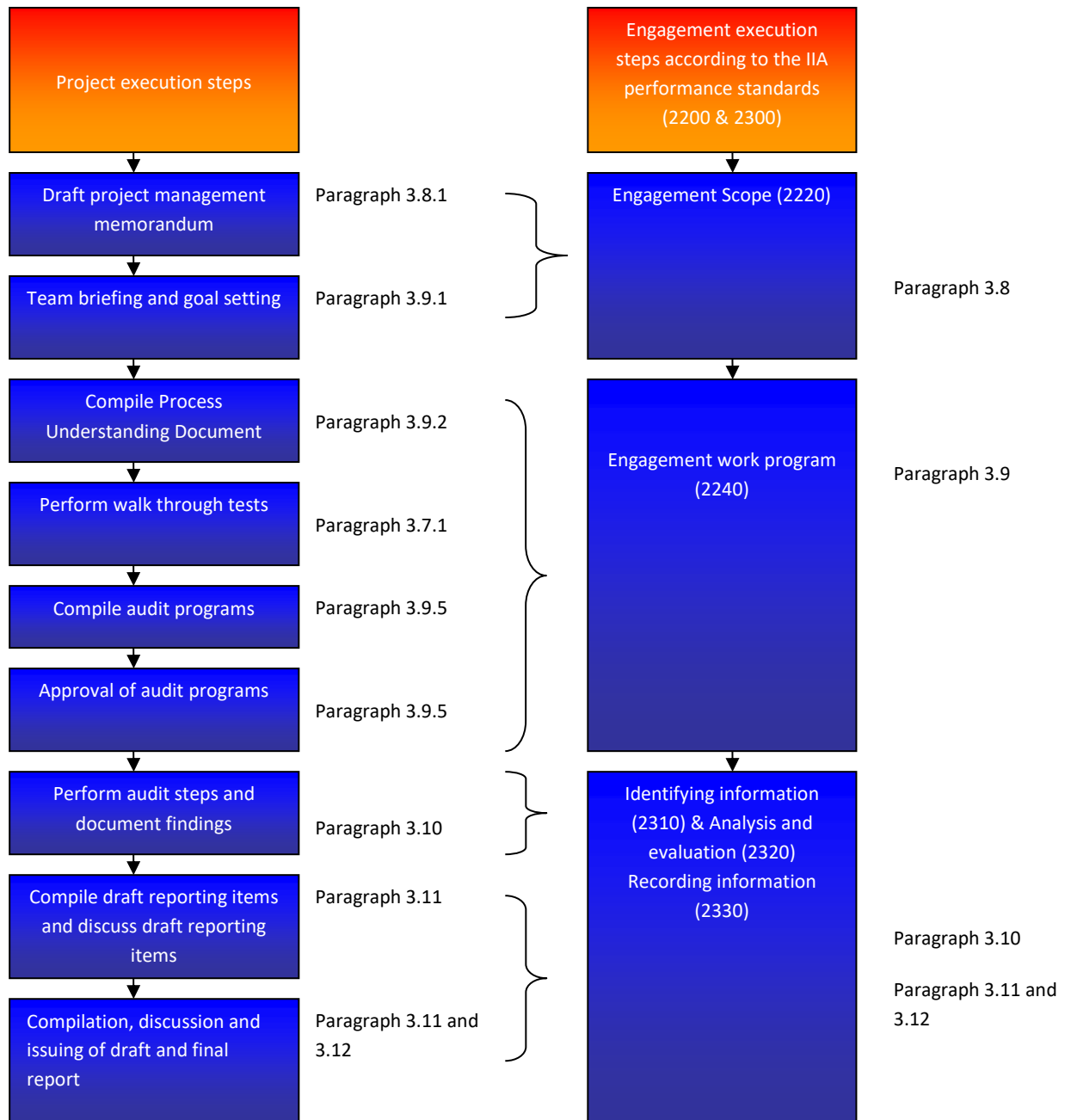
Internal Auditors must develop and document a plan for each engagement, including the engagement's objectives, scope, timing and resource allocations.

Internal Auditors must identify, analyse, evaluate, and document sufficient information to achieve the engagement's objectives.

3.9.1 Team briefing

A team briefing meeting should be scheduled prior to the commencement of the detailed fieldwork. This meeting is the forum where the team will plan and discuss the fieldwork to be performed. Specific issues to be addressed are:

- Overview of the entity under review and controls to be evaluated.

- Update in terms of current status of the project.

- Allocation of responsibilities.

- Logistical arrangements.

- Personal project objectives and development goals per individual team member.

- Declaration of independence to be completed and placed on file. (**Appendix L**

Audit teams should minute the team briefing and a copy is to be placed on file.

3.9.2 System Description

The purpose of the system description is to document and obtain an overall understanding of the operational process flow for the audit under review; with a view of optimising understanding of the content of the existing controls in place (you should use your Preliminary Survey results to aid in the development of your systems description). The systems description should be documented in a narrative and/ or flow-chart format.

In the case where there are documented detailed systems description:

a) Identify activities and key controls that you need clarity on and engage the process owner taking into account the risks as per its confirmation in the Preliminary Survey;
b) Document comprehensively those activities as per process owner's clarification;
c) Conduct a walk through to confirm the implementation of the processes as outlined;
d) Confirm both the system flow and key controls with the process owner;
e) In the case where there are no documented detailed systems description processes;
f) Through an interview process, document comprehensively the detailed activities of the process;
g) Identify the key controls based on the risks identified during preliminary survey. Key controls must be grouped according to their alignment to the basic business objectives in line with risks;
h) Conduct walk-through testing to confirm the implementation of the processes as outlined;
i) Confirm both the system flow and key controls with the process owner; and
j) Obtain the validation of the detailed process from the highest level of the business unit.

Obtain sign-off of the detailed systems description process from the highest level in the unit

3.9.3 Risk Identification and Assessment and Control Identification

Using the key risks identified in determining the audit coverage plan and the detailed process understanding the internal auditor will now produce a list of process level risks associated with the areas in scope. This is done in consultation with the client as we would have to review the design of controls with reference the Business/Process Objectives. Alternative techniques that can be used are one on one interviews with clients and Control Self-Assessment.

3.9.4 **Control Adequacy Assessment**

The objective of the adequacy evaluation is to formulate an opinion on the adequacy of the existing controls. To evaluate whether risk mitigation measures in its design, will be able to manage the risks to a reasonable level. The process includes the following:

a) Document the following as per the Preliminary Survey and Business Process Description on the engagement work program (EWP):

- Audit objectives;
- Risks, and
- Controls.

b) Analyse the ability of the identified controls to address all the root causes of the risk as it relates to the relevant unit's objectives
c) Identify controls that are manually executed but have the potential to be automated, in a manner that will enable indicators/ exceptions to be built into the system to strengthen monitoring.
d) Review whether preventative controls are supplemented by detective controls in a way that exceptions will trigger intervention by supervisory level within the Entity.
e) Assess over controlling by:

- Evaluating the nature of controls against the identified benefits of the control; and
- Evaluating the reasonability of the supervisory and monitoring control in view of its significance and timeliness.

This stage involves an assessment of the controls to manage the significant risks identified as part of the project scope.

Where the Auditor has identified controls during the documenting stage, it is now necessary to assess whether these controls are adequate enough to manage the significant risks in the unit/areas being audited. This means that, for a significant risk, that the controls provide reasonable assurance that the risk will not have a significant impact on the business unit/ area's objectives and therefore performance.

The following can be used to assist with the control adequacy evaluation:

- Reviews performed by external consultants e.g. external auditors.
- Results of reviews performed by the business for e.g. compliance.
- Any incident reports raised in the area.
- Any open/previous internal audit observations.
- Timing and level of control and the degree of automation.

The adequacy evaluation should be reviewed by the Internal Audit Manager before commencement of effectiveness testing. Where controls are not considered adequate the controls should be reported to management. In reporting the issue to management, it should be ensured that the root cause of the problem is identified so as to ensure that the cause and not the symptom is addressed.

Addressing the root cause of the problem will ensure that the recommendation made to management is relevant and practical.

Controls are assessed whether they provide a high, moderate or low level of assurance in managing a risk. Once all the controls have been assessed individually (from an assurance point of view) and they have been linked to specific risks, **you need to form an opinion on whether the control or group of controls together are adequate to manage that particular risk.**

If it is found that key controls are not adequate to manage the risk, the Auditor may need to seek further controls that mitigate the risk. These mitigating controls should be tested from an adequacy point of view. Testing these controls does not preclude reporting the inadequate controls to management.

3.9.5 The Engagement Work Program

The purpose of the Engagement Work Programme is to provide techniques on how to evaluate the effectiveness of the internal controls being audited. The Engagement Work Programme is a listing of selected audit procedures to be executed during the fieldwork phase of the audit, which is informed by the audit objectives to be achieved.

Considerations to be taken into account when designing audit procedures:

- Audit testing is only performed on controls that are found to be adequate (efficient and economical);
- Procedures should be designed to test the adequacy and effectiveness of the control and ensure its alignment to risk and engagement objectives;
- Audit techniques/ procedures should be designed in a way to assess whether controls were implemented effectively as well as efficiently;
- Audit techniques should be designed in a manner that takes into account the relevant basic unit's objective(s) relevant to the control; and
- Each Engagement Work Programme should have the following documented on it, among others:

  ➢ Objectives;
  ➢ Scope;
  ➢ Audit procedures;
  ➢ The name and date of the preparer;
  ➢ The name and date of the reviewer;

The Engagement Work Programme should be approved by the Internal Audit Manager; and

If changes are made to the Engagement Work Programme, it should be documented together with the reasons therefore and approved by the Internal Audit Manager.

All steps taken to achieve the engagements objectives and to execute the audit work must be thoroughly documented and supported with **corroborative evidence** (sufficient, reliable, relevant and useful) that will substantiate the engagement **observations** and **conclusions** arrived at.

Audit Procedures
The following audit procedures are performed in gathering audit evidence:

Types of audit procedures/ tests:

Inspection:
- The inspection of documents and physical items supporting transactions and other events provides audit evidence as to whether internal controls have operated as intended by management (effectively) or not.

  Example: verifying that a transaction has been duly authorised by inspection of an authorising signature on a purchase order.

Re-performance/ Re-calculation:
- Involves the Internal Auditor repeating either, wholly or in part, the same operational internal control procedure(s) as those previously performed by the client.
  Example: re-performing the reconciliation of a bank account.

Enquiry:
- The seeking of information from the client as to the effectiveness and efficiency of operating controls, by asking appropriate questions that were carefully designed by the Internal Auditor to obtain information relating to the audit under review. This type of audit test needs to be corroborated through the verification of management's responses.

  Example: determining who actually performs each function and exactly what tasks they execute, not merely ascertaining from management what functions are supposedly performed (gaining an understanding of operations through a form of interviewing the client).

Observation:
- Observation means being present and physically viewing the process being performed by the client or verifying the existence of an item.

  Example: observing precisely the process a receiving clerk follows and executes when a supplier delivers goods.

Confirmation:
- Independent validation of information provided by the client or validation of control processes. Third party confirmation is more reliable/ persuasive than information produced by the client.
  Example: third party confirmation is the balance and information reflected on bank statements produced by the bank.

Analytical Procedures:
- This test uses comparisons and relationships to assess whether data/ information over a period of time are reasonable. Analytical auditing procedures are useful in identifying, among other things, differences that are not expected; the absence of differences when they are expected; potential errors, potential fraud or illegal acts; or other unusual or non-recurring transactions or events.

  Example: Comparison of monthly telephone bills shows that April month's bill was five times higher than the rest of the financial year's bills, thus the reasoning therefore should be obtained and the reasonableness assessed based on the prevailing conditions.

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

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

The internal auditor plans and performs the engagement, with supervisory review and approval. A primary result of engagement planning is the preparation of the work program. The engagement work program is a "document that lists the procedures to be followed during an engagement, designed to achieve the engagement plan.

Matters to be considered prior to preparing the work program include:

- The engagement scope
- Means of achieving objectives
- A risk and control matrix
- Availability of essential resources
- Sample sizes
- Conclusions and judgements during the planning

Work programs reflect choices of procedures needed to assess risks and test related controls in the areas reviewed. They also reflect the nature, extent and timing of procedures needed to achieve objectives.

- Each procedure should test a specific control over risk.
- Work programs should be documented so that all team members know what remains to be done.

Work programs are approved by management of the internal audit activity prior to the beginning of the work.

The program is amended as necessary during the engagement to respond to findings. Amendments also should be approved by IAF's management.

The work program should provide not only procedures for obtaining information but also for analysis, evaluation, and documentation of that information.

If internal auditors discover that an area was omitted from the engagement work program, they must evaluate whether completion of the engagement as planned will be adequate to achieve the engagement objectives. Refer to **Appendix M** for the audit program template.

3.10 Identifying information, execution of audit program and recording of fieldwork (2330)

Internal auditors must document sufficient, reliable, relevant, and useful information to support the engagement results and conclusions. Internal Auditors must base conclusions and engagement results on appropriate analyses and evaluations.

3.10.1 Requesting information to perform audit procedures

All information required for audit purposes will be documented on a Request for Information (RFI) letter which must be signed by the Internal Audit Manager. The template should provide space for the audit client to acknowledge receipt by signing the document.

The RFI letters should be e-mailed to the audit client to facilitate the acknowledgement of receipt.

The audit client will be afforded three (3) working days from date of delivery to provide the requested information. If the audit client indicates inability to provide the information within the prescribed period, reason(s) should be provided via email as well as an indication of when the information will be made available. The Auditor-in-Charge should ensure that this is clearly stated on the RFI letter.

Failure by the audit client to provide the requested information within the stipulated period will result in closure of the audit focus area and an audit finding being raised.

The RFI template is attached as **Annexure E** of this manual.

3.10.2 Sample sizes

Recommended minimum sample sizes are as follows:

Control Frequency	Sample Size
Annually	1
Quarterly	2
Monthly	6
Weekly	12
Daily	15
Multiple times per day	30

If exceptions are identified while performing the testing, the sample size should be increased by five (5) to gain added assurance of the results. Control weaknesses needs to be confirmed with the auditee before we extend the sample size.

The samples should preferably contain the latest completed control. Other sample items can be selected using analytical review results as a guideline, i.e. month with the most receipts, lowest receipts, most likely human error, periods of potential concern (holiday periods like April and December, Fridays) and high leave periods. The rule of thumb is: "Always rely on auditor's professional scepticism." The detail as to how (size of population, size of sample, method of selection, etc.) and from where *(name of report and format – electronic/paper)* the sample and period were selected should be indicated on the working paper. Where CAATs such as data interrogation tools (e.g. ACL) are used the complexion of the sample will change completely due to its ability to assess huge volume of data in a short space of time.

3.10.3   Working Papers

The Internal Audit team needs a record of the work carried out. It's this record that supports the agreed action and the opinion.

Most importantly, the content of the working paper should contain sufficient, reliable, relevant and useful information. This information recorded should be complete. It should as a whole **reflect all the work** done on the audit.

The following should be taken into account in preparing working papers:

- Team members involved in internal audit engagements will prepare all working papers in electronic media.
- Copies of evidence and working papers to support engagement working papers, observations and conclusions should be clearly referenced to the relevant working papers.
- The Internal Audit Manager will review the audit working papers to ensure its completeness, accuracy and validity.
- The review notes must be cleared immediately by internal audit staff and submitted to the reviewer for final review, which should be signed-off once the Internal Audit Manager is satisfied.

Audit evidence that supports the engagement result and conclusions should be:

- Sufficient - information is factual, adequate and convincing so that a prudent, informed person would reach the same conclusions as the Internal Auditor;
- Reliable - this information is the best attainable through the use of appropriate engagement techniques;
- Relevant - this information supports engagement observations and recommendations and is consistent with the objectives for the engagement; and
- Useful - information helps the organisation achieve its goals.

Working Papers should ensure that:

- Documentation of testing is at a level that would facilitate re-performance;
- Documentation is logical, written in plain English and relevant to the work undertaken;
- The source of all information is clearly documented;
- Each test is (ideally) documented on a separate test paper to ensure clarity of the work performed and the conclusion;
- Links and cross references are clearly signposted to ensure that the reviewer can easily find the relevant section on the linked working papers;
- Conclusions are made on each individual working papers;
- Justification for sample sizes and sample selection methods are included under the relevant working papers headings;
- All working papers sections are completed – any exceptions must be explained (i.e. use N/A if appropriate rather than just leave blank);
- Tests identify specific controls and monitoring/supervisory controls;
- Working papers differentiate between testing the adequacy and testing the effectiveness of a control, and specify when substantive testing is being performed to support the controls testing;
- Where sufficient detail is documented to allow re-performance, copies of original evidence are not attached to the file unless it would add value. Documentation must be retained to evidence exceptions - scanned and filed on the database;

- Working Papers should be numbered or referenced using a logical numbering or naming convention; and
- Responses to review points should be documented by update of the working papers so that working papers can stand alone when review points are deleted.

There are essentially two types of audit evidence; being:

- Written (Documentary); or
- Verbal/ Observation.

This evidence can be obtained from two sources in relation to the Fund; being:
- Internal; or
- External.

The strength or suitability of the evidence is depicted as follows:

		Type	
		Documentary	**Verbal/ observation**
Source	**Internal**	**Acceptable (but not ideal)**	**Unacceptable**
	External	**Most persuasive**	**Acceptable (less than ideal)**

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

The Internal Audit Manager should review all working papers to determine whether they are relevant and have a useful purpose, evidence the audit work performed and sufficiently support the audit findings. In addition, the Internal Audit Manager should ensure the conclusions reached were reasonable and valid, and that the work-paper standards were followed.

The Internal Audit Manager should review all audit review notes to be certain that all notes have been resolved within the work-papers.

3.10.4   Perform audit procedures and document findings

The approved audit procedures (as per the audit programs) should be performed and findings sufficiently documented. Refer to **Appendix N** for execution of audit procedures template.

3.10.5   Documenting information (2300)

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

The following guidance regarding the recording of information/audit evidence is provided below:

- The objective and audit procedures should be copied directly from the audit programme. The working papers should describe in detail how the sample was selected for testing (name and date of report, etc.).

- The conclusion should be in line with the audit objective/test – a suggested format for the conclusion is reflected in **Appendix N** (execution of audit procedures template).

- The source of audit evidence (from where audit evidence was obtained) should be clearly indicated in the working papers.

  For example:
  Per discussion with the Procurement Manager it was determined that …..
  Per inspection of the Outstanding Orders report dated 31/03/2009…….
  Per purchase order no. …. Not signed by procurement manager, dated ……

- If a smaller sample is tested than required in the audit programme, the reasons for this should be indicated on the working paper.

- Sample items selected should never be prompted by the auditee/client representative, unless they are specifically concerned about the specific transaction.

- When using tables the format in **Appendix N** is suggested due to its simplicity and effectiveness.

- In cases where it is determined that the controls are not operating effectively, the root cause and effect should be documented in the results and the possibility of compensating controls should be considered prior to reporting.

- Supporting documents should be filed behind the relevant working papers (objective schedule).

- One correct example of the supporting documentation tested (where no exceptions were noted), should be placed on file as well as all other supporting documentation, where exceptions were noted, should be filed as audit evidence.

- Referencing

  - The audit programmes should be referenced to the working paper (objective schedule). Working papers should be referenced to the supporting documents, draft management letter reporting points as well as back to the audit programme. The management reporting point should be referenced to the draft report as well as back to the relevant working paper (objective schedule or supporting document).

  - The suggested reference system is to use for example P1 and the supporting documents will then be P1 1/20, P1 2/20. P1 3/20, P2 1/20. [P – Being the section, P1 – being working paper 1, the 1/20 being the working paper number/the total number of working papers / documents for P1].

- Audit evidence – additional guidance

  - A **heading** should be written on supporting documentation placed on file to indicate the nature of the exception. For example 'Purchase order not signed by Procurement manager'.

  - When performing an audit step requiring **additional enquiry**, the factual correctness sheet (**Appendix O**) should be used to confirm the accuracy of the answer/explanation.

  - Factual correctness sheets can also be used to assist in preventing situations where the client representative has been misunderstood or to obtain a signature when an explanation given appears to be incorrect.

- When performing an audit step that requires **physical observation**, the date and time of the observation should be noted. If possible the client representative should be asked to initial on the observation results as corroborative evidence.

- When performing a **cash count**, the cash should be counted by the client representative. (This information should be included in the working paper). The factual correctness sheet could be amended to reveal the totals and require the client representative's signature as well as the auditor's signature.

- When you have to provide evidence of a certain **policy's existence**, you may place only the front page and the page indicating details of approval and last update date.

    If you need to place a certain extract of the policy, to prove a point or recommend an amendment, you should place the relevant page plus the first page and the page indicating details of approval and last update date. Clearly indicate 'Extract of *[Name of Policy]*' on the first page.

    If, however, you are required to provide evidence of completeness of a policy, you are required to place the entire policy on file.

- All working papers and supporting documents should be signed off by the preparer and the first reviewer (every page at least by the seniors on the project).

Control of work papers

The primary objective of maintaining security over work papers is to prevent unauthorised changes or removal of information.

Engagement records include reports, supporting documents, review notes, and correspondence, regardless of storage media. These records or work papers are the property of the organisation. The IAF controls work papers and provides access to authorised personnel only.

Retention of Engagement files

➢ GEPF IAF shall retain engagement documentation for a period of five years or as required by Law or Regulation. The following points should be borne in mind when doing so:

- Consider scanning physical documents, uploading them to the appropriate approved document repository (such as the server) and deleting any duplicates. Keep work papers and supporting documentation in electronic format rather than physical copies, in most cases.
- To protect the confidentiality of client information and help ensure the completeness and availability of all work papers, upload final work papers onto the server on a frequent basis. When it is appropriate, upload draft deliverables and in process work papers as well so that the work paper is accessible for further work later. Features built into the server will aid version control.
- Access to electronic files should be restricted to those who need to have it, generally being members of the engagement team.
- Copies of emails can be used as audit work paper documentation by saving them as HTML documents and then placing them in the server as part of the work papers. This is an efficient way to document that certain meeting occurred through emails for agendas and decisions taken, approvals of certain actions and

for other matters. However, care should be taken that such emails provide all the audit evidence required and therefore may need to supplement them with supporting documentation giving additional details.

3.11 Reporting of findings

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

3.11.1 Compiling and discussing draft management points

In the event when observations are identified through audit testing, it should immediately be communicated to management through Informal Queries (IQ) or in a draft Internal Audit report, depending on nature and urgency of the finding.

All issues or concerns identified during the performance of the audit fieldwork should be included as draft management points.

Draft management points should only be issued to the auditee/client **after they have been reviewed and signed off by the manager** on the project to ensure timely completion of this activity. The aforementioned should be clearly defined in the approved planning management memorandum. The draft management points should be compiled **during the normal course** of the project.

The reviewed and approved management points should be discussed with the appropriate line management in order to confirm the factual correctness thereof. In instances where the auditee does not agree with the finding, proper documentation supporting their view should be obtained and reviewed. Internal Auditors can only amend/correct management comments with the consent of the appropriate line management.

Key to finding rating:

The ratings allocated to the identified weaknesses are explained below:

Rating	Description
High	Findings are serious and require immediate management intervention to achieve business objectives. Risks at this level pose a serious threat to the organisation and should be addressed with controls of appropriate strength. Weaknesses that can seriously compromise the system of internal controls and should therefore be addressed as soon as possible.
Major	Risks at this level should be addressed with controls of appropriate strength. If risks of this level are realised, the organisation may endure significant harm. Weaknesses that can impact the system of internal controls and should therefore be addressed as soon as possible.
Moderate	Risk at this level indicates that isolated weaknesses or areas of non-compliance were detected which could lead to less significant loss. Matters,

	which are important to the system of internal controls and the reduction of overall risk and require Management attention.
Minor	Risks at this level pose little threat; however, these risks should be addressed with appropriate controls with a view of achieving a mature, well managed environment.
Insignificant	Suggested improvements to enhance internal control or efficiency but which are not vital to the control system.

Insignificant findings will not highlighted to the FAC but will be documented in the Internal Audit Tracking Register for follow-up purposes. To ensure that the findings have been adequately and timely addressed by management, insignificant findings will be reported to EXCO to ensure immediate resolution/implementation.

Finding layout

Heading of Finding	**Rating**
Criteria (expected condition / what should be)	
The Criteria defines what should be in place. There are generally 4 levels of acceptable standards. These are: 1. Legislative requirements 2. Policies (Approved) 3. Procedures (Per business process description) 4. Industry norms	
Finding (actual conditions/ what is)	
The results of the assessment of adequacy and effectiveness of the controls are reported (the deviations from the criteria). Specific details about what, when and where the problem occurred.	
Root Cause (Reason for deviation from expected condition/ cause of why the condition occurred)	
Management should be asked "WHY" five times when determining the root cause of a condition/ observation in order to get to the root of what triggers the finding/ risk. <u>Example:</u> **Finding:** *Three quotes not attached to Invoice.* ***Internal Auditor question (IAQ)***: Why were there less than three quotes? ***Management response (Mr)***: Because only 2 out of the 3 suppliers submitted quotations. *IAQ*: Why? *Mr*: Because only limited time was given to potential suppliers to provide a quote. *IAQ*: Why? *Mr*: Because we did not start the procuring process early enough to obtain more than two quotes. *IAQ*: Why? *Mr*: etc.	
Potential Impact/Effect (what can go wrong, exposure to the organisation)	
The risk highlights the impact that the observation can have on the achievement of the units/ Entity's objectives. This is the potential exposure if the conditions remain unattended or if the risk materializes.	

Recommendation (suggested corrective action to be implemented to address finding)
Internal Auditors' recommendations must provide appropriate practical and cost-effective remedial measures to address: 1. the root cause identified; and 2. have consideration for the reduction of the reported risk to an acceptable level, to prevent the observation as reported from re-occurring in the future.
Management Comments
An expression of management's agreement or disagreement of the reported matters and their reasons for disagreement. Steps that management may have already taken. Clarity on the findings in the report.
Management Plan of Action (management's action to be taken to address the finding)
Corrective action is that which management intends to implement to mitigate the observation. Ideally it will be the recommendation (see above), but may include other measures emanating from broader business activities
Internal Audit Conclusion (not compulsory)
A conclusion puts observations into perspective and should be based on the objectives to be achieved.

This process should be done on a **continuous basis** and **not** at the **end of the project**.

Refer to **Appendix P** for an example of the template to be used for the draft management points.

3.12 Communicating results and monitoring progress (2400 & 2500 Series)

Internal Auditors must communicate the engagement results.

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

The results/ findings of the internal audit engagements should be communicated to management by issuing a clear and concise internal audit report, which includes the engagement objectives, scope and results.

3.12.1 Compiling and discussion of draft report and issue of final report

The draft reporting items and the related report should be jointly compiled by the Managers on the audit. **Draft report must not be issued to the client without the Internal Audit Manager's sign-off**.

The draft report must be reviewed and signed off by the Managers on the project before it is discussed/issued to the auditee (with or without management comments). The draft report should be issued to the auditee within **two weeks** after the completion of the field work and related quality assurance reviews. The client should then be given a maximum of **05 days** to provide their final response before the final report is issued.

The report should contain an executive summary that will be incorporated into the report for the FAC. The recommendations in the report will be evaluated to ensure that they are in line with the prevailing GEPF guidelines and standards. The Internal Audit Manager will issue all final reports.

Draft Report:

The results of the draft internal audit report should be reviewed by the Internal Audit Manager. The report should then be discussed with management at an exit meeting, to obtain their comments on the reported matters and their plan of action to mitigate the findings highlighted in the report.

The exit meeting proceedings should as far as possible be minuted and management's response to the draft report should be in writing. It is important that agreement be reached regarding the facts of each reported matter.

Final Report:

Once the results of the draft internal audit report has been agreed upon and management has committed to actions to be taken to mitigate the findings, should the final internal audit report be prepared, reviewed and **signed** by the Internal Audit Manager and issued to the relevant manager(s). All communications should include the following, among others:

- Distribution list
- Executive summary
  - Audit mandate
  - Background
  - Audit objectives
  - Objectives and scope of the audit
  - Audit approach
  - Period covered
  - Overview of results
  - Procedures performed
  - Audit conclusion
  - Statement of responsibilities
  - Fraud and internal controls
  - Restriction on the use of report
- Audit review results
  - Detailed findings; and
  - Follow up results

A central register/ database of all reports issued should be maintained on the shared drive. Internal Auditors are encouraged to acknowledge satisfactory performance in engagement communications, and where appropriate include the Internal Auditor's conclusion and or overall opinion.

Overall Evaluation of Audited Results

To enable the overall formulation of a conclusion regarding the effectiveness of internal controls addressing the risks at both a process level for weak findings/ observations and at the engagement objective level for positive findings. All informal queries/ observations must be validated with management and management's comments/ responses should be obtained to identify the root cause (The real reason for the issue arising).

Exit Meeting

Meet with the key client personnel to discuss how the audit has progressed and furnish them with a summary of findings for clarification.

Minutes should be taken.

Team Debrief Meeting

Audit completion comprises the final stages of the audit and processes have been completed satisfactorily. The objective is to complete the audit in an orderly manner in accordance with our professional obligations and assignment objectives. We also wish to minimise the time spent on completion tasks and perform as much of the work as possible at the business unit's site. Refer to Appendix Q for the Team Debriefing

Key considerations include:

- It may be helpful to hold debriefing meeting to update the business unit on the audit status and to obtain feedback for improving the audit process.
- Performance evaluations should be completed in accordance with the Performance Management System.
- Audit files should be prepared for archiving to ensure coaching notes are addressed and team member sign-off are documented.

Engagement Completion Checklist.

Audit completion comprises the final stages of the audit and processes have been completed satisfactorily. The objective is to complete the audit in an orderly manner in accordance with our professional obligations and assignment objectives.

Before releasing any deliverable or report to a client, a quality assurance review must take place. The Engagement Director and Quality Assurer should review and approve the Engagement Completion Checklist.

Post Audit Review Client Survey Feedback

Customers are asked to contribute to Internal Audit's continuous improvement process by providing feedback on our Client Survey Feedback form. Client Management is asked to provide written comments about the work performed, as well as asked to rate Internal Audit on key areas.

It is recommended that a survey be conducted after completion of each project and a summary of the results be discussed with EXCO and the Finance and Audit Committee.

Phase 3 Monitoring Progress

3.12.2   Follow Up Reviews
Internal Audit has to establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that management has accepted the risk of not taking action (tolerate the risk).

All audit finding details together with management's corrective action to be taken needs to be populated into one of two action plans. These two plans of action to address assurance findings identified in previous audits are:

- The Management Action Plan used to monitor Internal Audit findings, as well as other assurance providers findings; and

These action plans monitors management's progress against the agreed upon management's actions to be implemented to mitigate the previously reported audit findings/ risks.

Internal Auditors' should commence a follow-up to verify the actions management has taken to date based on the implementation date agreed upon with management. This date is the date when the agreed upon management action will be implemented from.

Using the aforesaid as a premise, the follow-up should preferably be performed a month or two after the agreed upon implementation date, depending on the frequency of the control being tested. Internal Audit should report on the progress of the follow-up activities at each Finance and Audit Committee meeting.

The action plans should at a minimum reflect the following information:

#	Unit	Finding Heading	Finding Description	Root Cause	Risk Impact	Agreed Management Action plans	Implementation Date	Responsible official	Implementation to date	Resolution status
1										

3.12.3 Communicating Management's Acceptance of Risk (Performance Standard – 2600)

It is management's prerogative not to address a particular finding and or risk and to tolerate and accept the reported matter. However, when the Internal Audit Manager concludes that management has accepted a level of residual risk that may be unacceptable to the Fund, the Internal Audit Manager must discuss the matter with management to understand their reasoning for the acceptance of the residual risk. If the Internal Audit Manager determines that the matter regarding the residual risk is not resolved, he/ she is obliged to communicate the matter to the FAC for resolution.

3.12.4 Templates

3.12.4.1 Risk-based reviews

Refer to **Appendix R** for the template of the outline to be used in compiling a risk-based audit report. Note that it contains the minimum requirements and the respective audit teams are free to add to it if they so wish or circumstances so dictate.

3.12.4.2 Compliance and financial discipline reviews

Refer to **Appendix R** for the template of the outline to be used in compiling a compliance and financial discipline-based audit report. Note that it contains the minimum requirements and the respective audit teams are free to add to it if they so wish or circumstances so dictate.

3.12.4.3 Follow-up reviews

Refer to **Appendix R1** for the template of the outline to be used in compiling a follow-up audit report. Note that it contains the minimum requirements and the respective audit teams are free to add to it if they so wish or circumstances so dictate.

3.12.4.4 Ad-hoc reviews

Refer to **Appendix R2** for the template to be considered in compiling an ad-hoc audit report. Note that it contains the minimum requirements and the respective audit teams are free to add to it should they so wish or circumstances so require. The final format of an ad-hoc report has to be discussed and agreed with the Internal Audit Management Team.

3.12.4.5 Specialised projects

Performance Audit and IT will have non-standardised templates, except that the report should include **paragraph one** of the template in **Appendix R** (which includes general information such as the mandate, objective, scope, limitations and Manual, etc.) that should be consistent and be in line with the other reporting templates as noted above.

3.12.5 Project close-out

3.12.5.1 Completion checklist

A completion checklist is a control document used to ensure that all necessary documentation and activities have been completed and placed on file (where relevant), as per the various phases of the Manual.

The completion checklist must be signed by the Senior Internal Auditors throughout the project to ensure that the checklist is accurately completed. The checklist should also be signed by the Internal Audit Manager.

The Engagement Completion Checklist should be completed and approved by the Senior in Charge, the Manager and Director from the Co-Source Partner prior to finalising the file.

Before releasing any deliverable or report to a client, a quality assurance review must take place. The Managers should review and approve the Engagement Completion Checklist.

Refer to **Appendix R** for the template of the Completion Checklist. Note that it contains the minimum requirements and the respective audit teams are free to add to it if they so wish or circumstances so dictate.

3.12.5.2 Project budget and time management

A summary should be placed on file that compares the actual time and costs to the approved budget.

3.13 Engagement Supervision (2340 Series)

The following diagram details a high-level depiction of the process to be followed when conducting a quality assurance review:
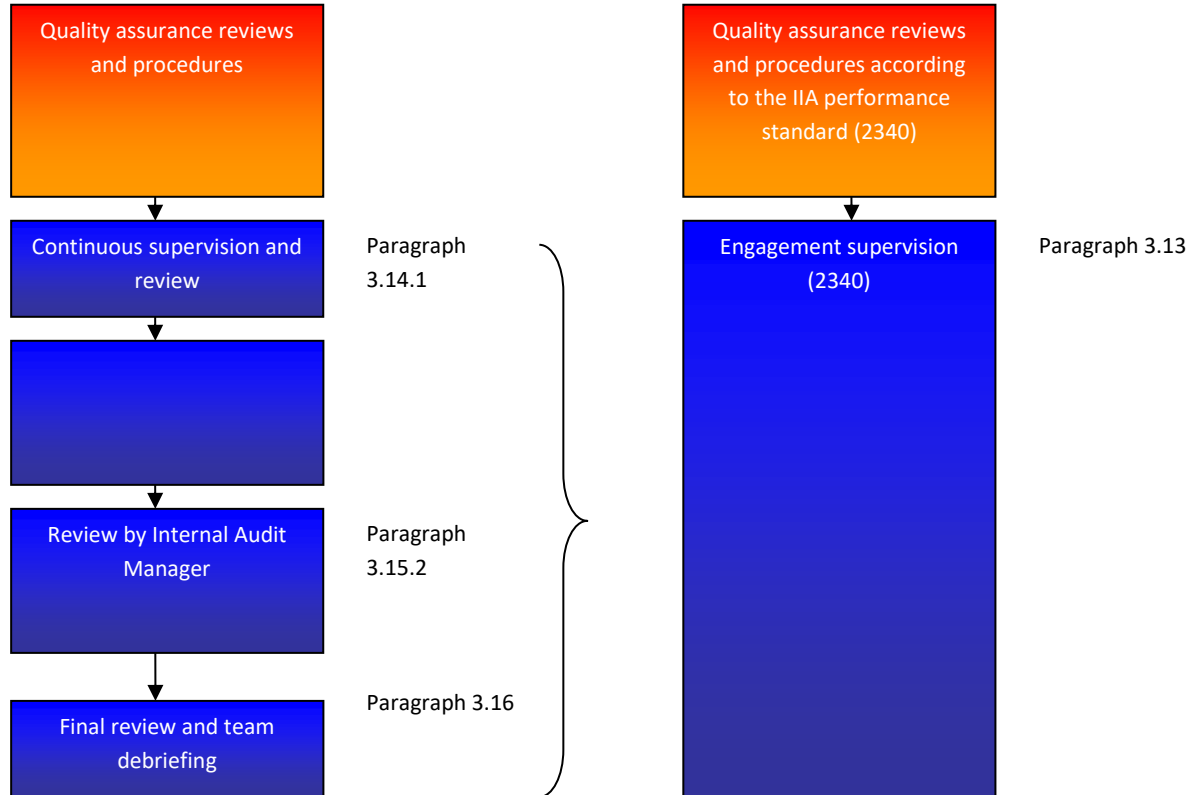
Phase 4 – Internal Quality Assurance

3.14 Engagement Supervision

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

Supervision is required throughout the audit from commencement to completion thereof. The extent of supervision required will depend on the proficiency and experience of internal auditors and the complexity of the engagement. There should be documented evidence of appropriate supervision reflected on the audit documentation.

Please note: If audit work is not appropriately documented or information is lost, the work will be taken as not performed. (Thus the importance of documenting and backing up of information is critical).

3.14.1 Continuous supervision and review

In accordance with the requirements of the IIA standards, **continuous** supervision and review by the project manager(s), must form part of the audit process and **cannot** be left until **all fieldwork** has been completed.

Assessment of Service Quality (ASQ) – Periodic Reviews'

General

The establishment and implementation of a quality assurance and improvement program for the Internal Audit Activity is required by the IIA Standards. The objective of the program is to ensure achievement of audit objectives, performance of audits in accordance with applicable standards, and development of staff.

Internal Assessments

Internal assessments can provide both quality assurance to audit management and training for the staff. The assessments can be done regularly or intermittently. The assessments are appraisals of how well auditors and supervisors have complied with the IIA Standards and Internal Audit's policy and procedures. They encompass the work of both staff and audit management and are an evaluation of a sample of audit working papers and reports. The assessments should also provide recommendations for improvement. The internal assessments should typically be performed by a senior auditor, audit management, or combination thereof.

External Assessments

The purpose of the external assessments is to provide an independent assurance of quality to the FAC and others such as external auditors who may rely on the work of the internal audit activity.

In compliance with The IIA Standards, an external assessment of the work performed by the IAF will be performed at least every five years to appraise the quality of the Internal Audit's operation. Upon completion, the IAF will receive a formal, written report expressing an opinion as to compliance with the IIA Standards and will include recommendations for improvement as appropriate. The Internal Audit Manager should communicate the results of external assessments to the FAC.

At the end of the audit once the audit report has been finalised and discussed with the client, feedback from the client should be obtained on the quality of services rendered by the Internal Audit unit. As part of the services' provided by Internal Audit, ongoing effort to evaluate and continuously improve its service quality and client satisfaction should be monitored through a questionnaire designed to focus on the level of quality of services rendered by Internal Audit. This will aid the Internal Audit unit to direct the client to answer questions that are of importance to enable it to improve its services.

2.4.1 Reporting to the Finance and Audit Committee

The IAF shall report functionally to the FAC, and administratively to the PEO, so that its independence is not compromised. The IAF shall report at all FAC meetings which are held at least four times in a financial year.

The IAF shall prepare and submit regular and comprehensive reports to the FAC, detailing its performance against the Internal Audit Plan and allowing for its effective monitoring by the FAC, with intervention when necessary.

The Internal Audit Manager will schedule one-on-one meetings with the FAC at least once a year or as and when required for the discussion of pertinent issues without the presence of management.

3 COMMUNICATION OF INFORMATION TIMEFRAMES

All information requests and communication of observations should as far as possible first be discussed with management. This should be followed-up with a formal information request or communication, should the information requested or the response required not be provided immediately. The following timeframes should be given for management's response to Internal Audit's requests from date of issue:

Document	Document Description	Timeframe for Response
Information Request (IR)	This document formally requests any information required in performing an audit. Verbal requests should first be made to obtain information; however if the Internal Auditor foresees that the information will not be obtained timeously, based on management's response, should an IR be issued.	At least three (3) working days
Informal Query (IQ)	This is to communicate any observations identified through audit testing that requires management's immediate attention. Thus issuing this document is dependent on the nature and urgency of the audit finding; otherwise it can be raised in the draft Internal Audit report.	At least three (3) working days
Draft Internal Audit Report	This is a formal draft version of the final report that documents the results of the audit. The aim of this report is to discuss and agree on the reported results with management prior to issuing the final signed-off Internal Audit report.	At least five (5) working days
Management Comments and sign off of final Report	Once the results of the draft internal audit report have been agreed upon and management has committed to actions to be taken to mitigate the findings, the final internal audit report will be reviewed and signed by the Internal Audit Manager and should be issued to the relevant Executive for sign-off.	At least three (3) working days

3.15 Review by the Audit Manager

3.15.1 Senior Internal Auditors' Responsibility

Senior Internal Auditor is responsible for compiling working papers and files for each assignment they are responsible for. Review notes should be removed from the file after the final review has been satisfactory completed by the Internal Audit Manager. The review notes should only be removed from the file/s after the successful resolution of all the points raised by the reviewer/s.

3.15.2   Review by the Internal Audit Manager

The Internal Audit Manager is responsible for a final review of the working papers and files for each assignment they are responsible for. The following review objectives should be achieved as a minimum confirmation that:

- All the detailed focus areas (as per the scope letter) and the detailed audit programmes, have been evaluated and reported on;

- The facts are presented and documented appropriately;

- The necessary supporting evidence is sufficient and relevant;

- The conclusions are properly documented;

- All potential reportable items in the body of the working papers have been included in the draft management points. It should also be confirmed that the factual accuracy has been confirmed and management comments, action plans, due dates and responsible officials have been obtained for all draft management points;

- Referencing has been appropriately completed; and

- All review notes have been cleared and have been removed after the final review

The Internal Audit Manager is also responsible for overall quality review of the file and the report. The following review objectives should be achieved as a minimum confirmation that:

- The appropriate risk management processes have been followed and the file is complete;

- The work performed is sufficient to address the focus areas set out in the approved project scope letter;

- All risk areas, included in the detailed audit programs, have been evaluated and reported on and management comments, action plans, due dates and responsible officials have been obtained for all reporting items; and

- Each reporting item is supported by appropriate audit evidence and the conclusions made regarding the reporting items are logical and appropriate.

Refer to the QAIP for further details on review, supervision and peer reviews

3.16   Final review and team debriefing

The final report will be issued by the Internal Audit Manager after the successful conclusion of all quality review procedures.

A debriefing meeting should be held with the audit staff at the end of the assignment to identify those areas/issues that went well during the audit, as well as those that did not. Areas for improvement should be identified and 'implemented' for future engagements.

Hold a team debrief meeting with the audit team. The purpose of the meeting is to share results, resolve any open matters or issues, ensure we have addressed review notes, and finalize all audit work paper documentation.

3.17   Project file index

The Project File Index is placed in the front of the audit working paper file and lists the various sections within the audit file.

Refer to **Appendix U** for an example of a Project File Index template.

4   BACK-UP AND RETENTION OF AUIDT DOCUMENTATION

1.1 Back-up of Documentation

All appropriate steps necessary to back-up any audit information and documentation should be exercised and carried out as follows:

a) Access to audit working papers and relevant audit documentation should be restricted to those involved in the assignment, and where third parties such as external auditors request access, it should only be granted with prior approval from the Internal Audit Manager.
b) It is the Internal Auditor's responsibility to ensure working paper files and related audit documentation are always adequately secured and safeguarded both during and after execution in a location that allows for easy retrieval by authorised individuals, regardless of the audit location.
c) Internal Auditors are only allowed to work on the Internal Audit dedicated shared drive accessible only by Internal Audit employees. (This will ensure that information is backed-up).
d) As an added measure, all final working papers and related audit documentation must be backed-up on a hard-drive and this hard-drive must be kept in a lockable safe place for easy retrieval by authorised users.

1.2 Retention of Documentation

All work-papers are considered confidential, are the property of the IAF, and are to be kept under adequate control. Work-papers often contain sensitive information or data that must be protected from unauthorised use or review.

Each financial year a folder labelled with the applicable financial year should be created on the designated xxx in the main folder named "Internal Audits". All audits related to a financial year should be saved in this folder and allocated a unique number that should start with number one sequentially in the order in which the

audits was performed, followed by the financial year of the audit and the name of the audit. All audit related documentation associated with a particular audit must be saved in this folder.

2.3   ADMINISTRATION

2.3.1 **Training** (Refer to the detailed Training and other relevant HR Policies)
2.3.2 **Time Reporting** (Refer to the detailed Human Resources Management Policies)
2.3.3 **Staff Evaluation** (Refer to the detailed Performance Management Policies)
2.3.4 **Travel** (Refer to the detailed Human Resources Management Policies)

4   **Review of the Internal Audit Manual**

The Internal Audit Manual will be reviewed annually or as and when required based on amendments to the Internal Audit Standards or when circumstances may necessitate. The manual is endorsed by the Principal Executive Officer, recommended by the FAC and approved by the Board of Trustees.

POLICY APPROVAL

RECOMMENDED / ~~NOT RECOMMENDED~~

MR STADI MNGOMEZULU
CHAIRPERSON: FINANCE AND AUDIT COMMITTEE
DATE: 23/03/2022

APPROVED / ~~NOT APPROVED~~

DR RENOSI MOKATE
CHAIRPERSON: BOARD OF TRUSTEES
DATE: 23/03/2022

Appendices

Below is the list of appendices referred to in this manual. Refer to the appendices folder attached to this manual for actual documents (templates).

Appendix A – Internal Audit Charter

Appendix B - Team Briefing Template

Appendix C - Client Survey

Appendix D -Team Competencies

Appendix E - Project Plan

Appendix F - Pre-Audit Questionnaire

Appendix G - Notification Letter

Appendix H - Request for Information template

Appendix I - Opening Conference

Appendix J - Process Understanding Document

Appendix K - Project Scope Letter

Appendix L - Declaration of Interest

Appendix M-   Audit Program

Appendix N - Execution of Audit Procedures

Appendix O - Factual Correctness Sheet

Appendix P - Draft Management Point

Appendix Q – Team Debriefing Minutes

Appendix R - Draft Report

Appendix R1 - Follow Up Review Report

Appendix R2 - Ad hoc Review report

Appendix S - Completion Checklist

Appendix T - Client Satisfaction Survey

Appendix U - Project File Index

Appendix V - IIA Standards (available on IIA website)

(All Appendices will be made available on request)