Kwame Nkrumah University of Science and Technology, Kumasi

KNUST INTERNAL AUDIT OPERATING MANUAL

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OPERATING
MANUAL

KWAME NKRUMAH UNIVERSITY OF SCIENCE
AND TECHNOLOGY, KUMASI-GHANA
**QUALITY ASSURANCE AND
PLANNING OFFICE (QAPO)**

Foreword

The Kwame Nkrumah University of Science and Technology, Kumasi has a mission to advance knowledge in science and technology through creating an environment for undertaking relevant research, quality teaching, entrepreneurship training and community engagement to improve the quality of life. In order to achieve this mission, there is the need to have an Internal Audit Manual.

The need for an Internal Audit Manual for KNUST has been long anticipated, various Heads of Internal Audit Offices in public universities attempted to put together a unified audit manual to be adopted by all public universities in 2013. Even though the draft manual was produced, it was never adopted by KNUST since it was a generic one and not tailored to some specific requirements of KNUST. Again, the manual was produced at a time where Audit Report Implementation Committees (ARICs) were in existence. Currently, with the promulgation of the Public Financial Management Act 2016, (Act 921), the work of the Internal Audit Office been enhanced, and Audit Committees have come to replace the ARICs, it is with this background that KNUST thought of preparing a manual that can guide staff to conduct audit reviews with very little or no supervision and be able to provide a professional advice to improve the University's operations.

The KNUST Internal Audit Manual is an official publication of the University which prescribes auditing policies and procedures as well as furnishes guidance in auditing techniques for personnel engaged in the performance of audit in the University. The manual is designed to minimise the necessity of referring to other publications for technical and procedural guidance.

The University is grateful to all those who ensured the initiation, development, and approval of this Manual.

PROFESSOR (Mrs.) Rita Akosua Dickson
VICE-CHANCELLOR
KNUST

Acknowledgement

As part of the strategic planning mandate of the Quality Assurance and Planning Office (QAPO), University policies are initiated and proposed for approval by the Academic Board.

The Quality Assurance and Planning Office is grateful to the then University's Internal Audit Committee: Mr. Kwaku Danso-Abeam, (ICAG) Chairman; Mr. Peter Opoku-Mensah, (IAA), Member; Mr. Thomas Kwarfo, (IAA), Member, Mr. Alhaji Yakub A.B Aubakar, (Council Rep.) Member, Dr. Kwaku Agbesi, (Council Rep.), Member; Mr. Yaw Owusu-Asamoah, (Dep. Registrar, HRD), Secretary, Registrar, Finance Officer and Internal Auditor.

Appreciation is also extended to Mr. Daniel Bart-Plange, the immediate past Internal Auditor and all staff of the Internal Audit Office who provided inputs for this Manual.

They are deeply appreciated for their enormous contributions.

We are equally indebted to the staff of QAPO and the Publications and Documentation Unit of the University Relations Office (URO) who facilitated the technical review and publication of this Manual.

Lastly, we wish to appreciate the contributions of all staff of the University who contributed in diverse ways to the development and approval of this Manual.

Professor Jerry John Kponyo
DEAN, QUALITY ASSURANCE AND PLANNING OFFICE
April, 2025

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1   INTRODUCTION

The role of internal audit in organisations is imperative for institutional effectiveness and control. Section 16 (1) of the Internal Audit Agency Act, 2003 (Act 658) provides that each Ministry, Department and Agency (MDA), shall have an Internal Audit Office (IAO) which shall constitute a part of the MDA. The responsibilities of the IAO are set out in the Act and also in the Public Financial Management Act, 2016 (Act 921). This Internal Audit Manual has been developed in conformity with the Internal Audit Agency Act, relevant Regulations and requirements of the International Professional Practices Framework (IPPF) issued by the Institute of Internal Auditors (IIA) as updated with Global Internal Audit Standards (GIAS) in 2024.

The Internal Audit office (IAO) of KNUST supports the University as an independent appraisal function to examine and evaluate their financial and operational activities. The Office also monitors compliance with rules, regulations, systems, policies, and procedures prescribed by the University and other regulatory authorities. The Office is an integral part of the governance framework of the University, which verifies that necessary controls are in place for financial and operational activities. Internal Audit provides management and other relevant stakeholders with information including analysis, appraisals, observations and recommendations for decision making.

An Internal Audit Manual is a document of policies and procedures for managing the Audit Office and its activities. The manual also serves as a guide for the execution of internal audit activities in accordance with the Internal Audit Agency (IAA) Act and the Standards of the profession.

1.1 Mission Statement of the Internal Audit Office

The mission of the Internal Audit Office is to assist management in monitoring risk management processes, governance and internal controls. Internal audit is an integral part of the University's function.

The Office facilitates the strengthening of the internal control environment in the University by furnishing management with:

- On-going risk assessments.

- Constructive analysis and recommendations.

- Reliable opinions and

- Report to the management and the Audit Committee on:

  - the adequacy of internal controls,

  - the accuracy, reliability and propriety of transactions,

  - the extent to which assets are accounted for and safeguarded, and

  - the level of compliance with institutional policies, laws and regulations.

1.2 Definition of Internal Auditing

The Institute of Internal Auditors (IIA) Standards define internal auditing as:

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

1.3   Background to Internal Audit in KNUST

The Internal Audit Office was created initially as a support function to monitor finances of the University. The function of the Office was dominated by certifying payment vouchers and physically inspecting items purchased **(Pre-audit)** and checking whether revenues collected are deposited on time. This function was not different from what most public institutions were doing as Internal Audit Offices.

In 2003 the Internal Audit Agency came into existence by an Act of Parliament, Act 658 to co-ordinate, facilitate, monitor and supervise internal audit activities within Ministries, Departments and Agencies and Metropolitan, Municipal and District Assemblies in order to secure quality assurance of internal audit within these institutions of State.

The nature of audit work changed after the Agency introduced some level of professional Auditing guidelines. However, Internal Audit still struggles to receive some recognition from staff and management of Institutions. In 2016, a new Act, Public Financial Management Act, 2016 (Act 921) was also promulgated, and some level of prominence was given to Internal Audit Offices in Institutions which goes to complement the Internal Audit Agency Act passed in 2003.

Now the Internal Audit Office is managed professionally and "uses the International Standards for Professional Practice of Internal Auditing as updated with Global Internal Audit Standards as a guide. The audit scope has changed and approach to auditing has also changed.

1.4   Objective of the Manual

The purpose of the Internal Audit Policies and Procedures Operating Manual (Audit Manual) is to provide a written detailed audit processes employed by the Internal Audit Office in the conduct of its audit. The document provides guidance for the planning, execution, reporting and follow-up procedures for the Office.

Internal Audit staff are expected to adhere to the application of this document, as it will help bring a systematic and disciplined approach

to audit, evaluate and improve the effectiveness of risk management, control, and governance processes.

1.5 Content and Scope of the Manual

This Manual prescribes the structure, policies, procedures, templates, guidelines, and reference documents to be used by the Internal Audit Office to carry out its responsibilities. The manual also describes the responsibilities of the Internal Audit Office in communicating audit results, its approach, authority, and strategies to achieve its objectives.

The procedures have been described in narrative language and are supported by specimen operational procedures that have been appropriately referred and serially numbered to facilitate their identification. This Manual is intended to provide work instructions and guidance primarily to the staff of the Internal Audit Office.

1.6 Revision of Manual to Reflect Changing Times

To keep abreast with changes in business requirements, applicable laws, regulations and internal auditing standards or changes in the University's activities, the Internal Auditor will, from time to time, issue circulars and notices to amend or add to existing policies and procedures. It is suggested that revisions be incorporated in the following manner:

- Any proposed changes should be documented

- The Internal Auditor should review the proposals and invite comments from the relevant functional heads and senior management, whenever necessary.

- Based on comments received, Internal Auditor should prepare a revised draft of the related procedure(s).

- The revised draft should be submitted to the Vice Chancellor, and then to the Audit Committee which will review the proposed amendment and approve (if acceptable) and advise the Internal Audit Office accordingly.

2. Management of the Office of the Internal Auditor

2.1 Introduction

The activities of the Internal Audit Office are conducted in accordance with the Institute of Internal Auditors' International Professional Practices Framework (IPPF) as updated with Global Internal Audit Standards (GIAS) and other International Standards on Auditing (ISA) as may be applicable and other Auditing Standards, as may be applicable.

The Internal Audit Agency Act, 2003 (Act 658) and the Public Financial Management (PFM) Act, 2016 (Act 921) has stated that all Public Institutions should have an Internal Audit Unit. Guidelines for establishing the Office and Reporting and both laws are not in contradiction.

The manual is based on standards as set out by the International Professional Practice Framework (IPPF) as updated with GIAS of the Institute of Internal Auditors. This framework has been formally adopted by the Internal Audit Agency (IAA).

2.2 Establishment of Internal Audit Office

The establishment of Internal Audit Office is provided by section 16(1) of the Internal Audit Agency Act, 2003 (Act 658) and Section 82 (1) of the Public Financial Management (PFM) Act, 2016 (Act 921), which states that every Public Institution shall have an Internal Audit Office. This Manual makes references to the PFM Act 921 and IAA Act 658.

The Head of the Internal Audit Office shall report administratively to the Vice-Chancellor and functionally to the Audit Committee of the University.

2.3   INTERNAL AUDIT CHARTER

The Office derives authority to conduct audits from the Public Financial Management Act, 2016 (Act 921), Section 83 and the KNUST Internal Audit Charter. The Charter defines the purpose, authority, and responsibility of the Office's activities. The Office is authorised to engage in independent audit programs, risk assessments, advisory services, and investigations, as well as to coordinate with external auditors.

The Charter establishes the Office's position within the organisation and allows unrestricted access to KNUST records for any matter within the Office's scope of responsibilities. **The KNUST AUDIT CHARTER** is prepared as a separate document which is reviewed every three years and signed by the Vice-Chancellor.

2.4   THE ROLE OF THE INTERNAL AUDITOR

The following functions have all been captured in the PFM Act 921 as the role of the Internal Auditor:

i.   An Internal Auditor of the University shall perform the following functions:

   a.   appraise and report on the soundness and application of the system of controls operating in the University;

   b.   evaluate the effectiveness of the risk management and governance process of the University and contribute to the improvement of that risk management and governance process;

   c.   provide assurance on the efficiency, effectiveness and economy in the administration of the programmes and operations of the University; and

d. evaluate compliance of a covered entity with enactments, policies, standards, systems and procedures.

ii. The Internal Auditor of the University shall, in consultation with the Vice Chancellor and in accordance with guidelines issued by the Internal Audit Agency, prepare an annual audit work plan of the activities required to be performed by the Internal Auditor in a financial year which is determined by the risk assessment including the fiscal risk of the University.

iii. The annual audit work plan, referred to in (ii) above, includes an appraisal and report on;

a. budget planning and implementation and compliance with national goals and objectives;

b. the development initiatives of the University;

c. procurement of goods, services and works;

d. value for money on public expenditure;

e. follow-ups on the agreed audit recommendations and required corrective actions;

f. systems of government revenue collections for proper accountability and

g. proper, timely and effective use of Government financial information systems.

iv. The Internal Auditor of the University shall, within thirty (30) days after the beginning of the financial year, submit

a. the annual audit work plan to the Vice Chancellor of the University and the Audit Committee established under section 86 of the PFM Act; and

b. a copy of the annual audit work plan to the Internal Audit Agency.

v. In the performance of his functions under the PFM Act, the Internal Auditor of the University shall,

a. have access to information and property required to be audited and,

b. be provided with any relevant explanation required by the Internal Auditor.

vi. The Internal Auditor of the University shall report to the Vice Chancellor any incidents of suspected fraud or misuse of public funds.

vii. Where the Internal Auditor of the University suspects that a Vice Chancellor is involved in fraud or misuse of public funds, the Internal Auditor shall report the matter to the Director-General of the Internal Audit Agency who shall in consultation with the chairperson of the relevant Audit Committee initiate investigations into the matter.

The Internal Audit Agency Act, 2003 (Act 658) also outlined some of the functions of the Head of the Internal Audit Office as:

i. Establish appropriate policies and procedures to guide the Internal Audit Office.

ii. Establish risk-based audit plans to determine the priorities of the audit activities, consistent with the goals of the University.

iii. Develop and implement processes to require compliance with internal auditing standards and practices.

iv. Develop and implement processes to facilitate the successful execution of the strategic plan of Internal Audit Office.

v. Identify the appropriate mix of resources (financial, human, tools, etc.) to support the effective and efficient implementation of the annual audit plan.

vi. Monitor to ensure audit activities (planning, fieldwork, reporting, follow-up and others) are performed efficiently and in accordance with the requirements of the IAA.

vii. Adopt and maintain a Quality Assurance and Improvement Programme that is in accordance with the requirements of the IAA.

viii. Manage the extent and process to which IAO's coordinate external units (external audit, compliance function, board and others) involvement in the execution of audit activities; to avoid duplication and enhance audit efficiency. Manage the flow of relevant information (strategic audit plans, audit plans, working papers, etc.)

ix. Develop and implement processes to enhance communication with significant stakeholders including the Director-General of the IAA, Management and the Audit Committee.

x. Review working papers to verify that they contain a time budget analysis for the project that identifies:

   a. Hours budgeted by audit segment.

   b. Actual hours by audit segment.

   c. Variances between budget and actual hours with explanations of material variances.

   d. Monitor the timely and efficient execution of internal audit activities.

2.6 REPORTING

Section 83 (7) of the PFM Act, requires that the Internal Auditor shall submit Quarterly Reports on the execution of the annual audit work plan to the following:

- The Vice-Chancellor
- The Audit Committee,
- The Auditor-General and
- The Director-General of the Internal Audit Agency.

2.7 DEPARTMENTAL MANAGEMENT STRATEGY

The University operates on a Collegiate System, having Six (6) Colleges and One (1) Institute for Distance Education. In other words, the University has as much as possible decentralised its management

activities to the College level and reasonable amount of powers given to the Provost to Manage the Colleges.

In order to maintain the needed independence, the Internal Audit Office would still operate the Centralised system. Even though we would have presence at the Colleges, it is to bring advisory and other services to the door steps of the Colleges. The staff stationed at the Colleges would report administratively to the Provost and functionally to the Director of the Internal Audit.

To this end, the Internal Audit Office has created Sections and assigned various jobs to the Sections to manage. By so doing, it is believed that the work of the audit would be enhanced and productivity would increase. There would be continuous review of compliance of policies and procedures at the Colleges and a lot of areas would be covered and reported on within the year. Again, we believe this will bring efficiency and effectiveness in the Internal Audit Office.

2.8 Hierarchy in the Internal Audit Office

The organisation structure of the Office is shown as below. As stated under the 'Administration of the Office', number and calibre of staff who would work in a Section would depend on the assignment being managed:

Organisational Structure of the Audit Office

Internal Auditor

Administrative Secretary

Internal Auditor (Support Services Audits)

Support Services & Self Accounting Audit

Procurement, Stores & Maintenance Audit

Financial Audit,

Deputy Internal Auditor (Colleges, & Student Services Audits)

Students Services Audits

Institute of Distance Learning Audits

College Audits
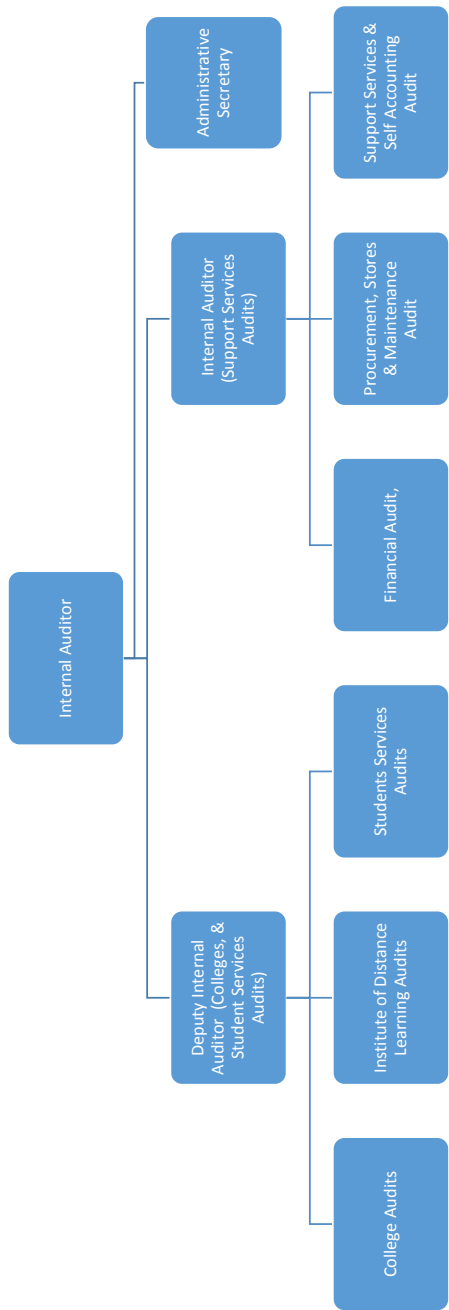
2.9 Audit Section under the Office

An Audit Section is that small group of people made up of both Senior Members and Senior Staff who are responsible to a cluster of audit assignments in the University. Depending on the technicality of the assignment, more of the Senior Members would be allocated to the Section than Senior Staff.

The number of staff for each Section would also depend on the volume of work being handled at the Section. Staff would be rotated between Sections once every three years to foster bonds and deepening of knowledge among member staff.

Considering the growth of the University on campus and the expansion of the IDL activities outside campus, the following six (6) Sections have been created to manage all the Audit assignments in the University:

1. College Audit
2. IDL, Other Campuses & Post Graduate Studies Audit
3. Students Affairs Audit
4. Financial Audit
5. Procurement, Stores & Maintenance Audit
6. Support Services Audit

Wherever the audit is carried out, the team should ensure that they cover both financial transactions as well as compliance with policies and procedures.

(1) College Audit

The Section would be responsible for the audit of Production Units including Investment Properties at the Colleges e.g. Engineering Guest House under the College of Engineering, KNUST Fruits Processing Company Limited under the College of Agriculture and Natural Resources, etc. The review of Donor Fund Projects would also be covered under the College Audit Section.

The Section would be in-charge of the following Colleges:

1. College of Agriculture & Natural Resources
2. College of Engineering
3. College of Science
4. College of Health Sciences
5. College of Humanities and Social Sciences
6. College of Art & Built Environment

(2) IDL, Other Campuses & Post Graduate Studies Audit

This Section would concentrate on all the IDL activities and also the School of Graduate Studies. It is anticipated that all Distance learning facilities which would be established in the future would be covered by this Section.

The Section would be in-charge of the following:

1. School of Graduate Studies
2. Central Laboratory
3. IDL Kumasi Campus
4. IDL Accra City Campus
5. IDL Takoradi City Campus
6. Other IDL Satellite Centres around the Country
7. Obuasi Campus (Faculty of Engineering)

(3) Students Affairs Audit

This Section would concentrate on auditing all students' related issues. However, it excludes the monitoring of teaching, learning and the conduct of examinations which is being monitored by the Quality Assurance & Planning Office (QAPO) of the University. The Students' Affairs Audit Section would therefore be responsible for the following reviews:

1. Acquisition, Storage and Issuance of KNUST Certificates (Registry Academic)

2. Review of Admissions Procedures (Registry Academic)

3. Sale and Accountability of Admission forms (Registry Academic)

4. Students Scholarships Audit

5. Students' Association Accounts Audit

6. Halls of Residences Audit

   a. University Hall

   b. Unity Hall

   c. Africa Hall

   d. Republic Hall

   e. Independence Hall

   f. Queens Hall

   g. KATH Clinical Hostel

   h. Wilkado & GRASAG Hostels

   i. Other Hostel Facilities which the University would get involved in its management.

(4) Financial Audit Section

This is the Section that would be in-charge of all financial accounting audits. Their job would include but not limited to the following review:

1. Final Accounts Audit

2. Revenue Audit

3. Accounts Receivables Audit (including Special Advance)

4. Other Income Audits

5. Accounts Payables Audit

6. Donations & Sponsorship

7. Payroll Audit

8. Fuel Consumption Audit

9. Cash office Audit

10. Budget & Budgetary Control Audit

11. Audit of Assets

12. Systems Audit for software (including Applications used by other Departments/ Units)

(5) Procurement, Stores & Maintenance Audit

This Section is charged to ensure that the University gets value for money in all its procurement activities. One of the major functions would be the Market Price Survey where necessary to ensure prices of items procured are reasonable and not significantly inflated.

The job of this Section would include but not limited to:

1. Market Price Survey (where necessary)

2. Procurement of Goods & Services Audit

    a. Procurement Method adopted

    b. Approval levels review

    c. Suppliers qualification and Registration

    d. Provision of Bid Security and Performance Bond

    e. Other Procurement Processes Compliance.

3. Warehouse / Stores

    a. Deliveries & storage

    b. Monitor delivery schedules

    c. Stores management

    d. Stock counts

4. Procurement of Works (Works & Physical Development)

    a. Procurement processes

b.   Monitor variations and Fluctuations

c.   Monitor delay in works

5. Maintenance Organisation

a.   Monitoring of items procured for repairs & Maintenance

b.   Monitoring of Repair works including the Bungalows

(6) Support Services Audit

This Section would be in-charge of all other activities in the University which have not be covered under any of the Section above. Their work would cover, but not limited to the following:

1. Registry Audits

a.   General Managerial Audit

b.   HR Audits including Management of long leave / vacation of post

c.   Affiliations Office Audit

d.   Management of KNUST ID Cards & Souvenirs,

2. Review implementation of MoUs with financial implication

3. Estate Organisation Audit

a.   Assets inventory

b.   3rd Party Rentals & Property Rates

4. Transport Organisation

5. Basic Schools

6. Hospital

7. Printing Press & Photocopy Unit

8. Accra Guest House & Staff Club

9. UITS – General Systems Reviews

2.10 Internal Audit Policies

The objectives of audit policies include the following:

I. Verify that audit assignments are based on risk assessments of systems and procedures. The focus of audit assignments should be on reviewing, evaluating and recommending for improvement of controls to minimise risks.

II. Add value to the activities of the University. The IAO should support line management in developing and running the business within the defined controls without being involved in operations.

III. Determine the extent of compliance on the established policies, procedures and regulations based on the risks involved therein.

IV. Evaluate the soundness of financial and operating controls and their cost effectiveness by highlighting real issues supported by the recommendations in collaboration with the operating management.

V. Ascertain the extent to which the assets of the University are safeguarded and deployed gainfully.

VI. Appraise the reliability of information generated by the University.

VII. Test and evaluate performance and adequacy of controls through critical reviews for effectiveness, integrity of transaction processing and safeguarding the interest of the University.

VIII. Where the Internal Audit Office has identified potential issues, it should issue early warning alerts by raising red flags to enable management deal with the issues in a timely manner.

IX. Issue reports on the extent of compliance with the University policies, procedures, laws and regulations.

X. Review organisational and procedural changes introduced by the University and assess availability of controls therein and that these are feasible for the University;

XI. Evaluate policies and procedures before their finalisation to assess whether adequate built-in controls are in place;

XII. Provide suggestions and recommendations to improve the management of the University. Exceptions must be related to major business issues and early warnings of deterioration that management will understand and act upon; and

XIII. On an ongoing basis, a proper follow up of all audit observations and recommendations to verify that management has implemented them.

2.11 Code of Ethics and Conduct of Internal Audit Staff

The Internal Audit Office adopts the Code of Ethics and Standards of the Internal Audit Agency which is in line with the Institute of Internal Auditors Standards. In all of its activities, Internal Audit Office adheres to the Standards for professional Practice of Internal Auditing and Code of Ethics of the Institute of Internal Auditors and the Internal Audit Agency Act, 2003 (Act 658).

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

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:

I. **Principles** that are relevant to the profession and practice of internal auditing.

II. **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, embodied in the Institute's *Professional Practices Framework, the Internal Audit Agency Act* and other relevant pronouncements provide guidance to the Internal Auditors in the University.

2.11.2 Principles

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

Integrity

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

Objectivity

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

Confidentiality

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

Competency

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

2.11.3 Rules of Conduct

Integrity

Internal auditors shall:

I. Perform their work with honesty, diligence, and responsibility.

II. Not knowingly be a party to any illegal activities or engage in acts that discredit the work of the Office or the University as a whole;

III. Make disclosures required by law and the standards and procedures as established under Section 3(1) of the Internal Audit Agency Act.

IV. Respect and contribute to the legitimate and ethical objectives of the University.

Objectivity

Internal auditors:

I. Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the University.

II. Shall not accept anything that may impair or be presumed to impair their professional judgment.

III. Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

Confidentiality

Internal auditors:

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

II. Shall be prudent in the use and protection of information acquired in the course of their duties.

III. Shall not use information for any personal gain or in any manner that would be contrary to the Internal Audit Agency Act, 2003 (Act 658) or detrimental to the legitimate and ethical objectives of the Internal Audit Agency and the University.

Competency

Internal auditors shall:

I.   Exhibit the highest level of professionalism in the gathering, evaluation and communication of information when auditing and shall act only in areas for which they have the necessary knowledge, skills, experience and competence.

II. Perform internal auditing in accordance with Generally Accepted Principles of Internal Auditing and the Internal Audit standard and guidelines as set by the Internal Audit Agency.

III. In the performance of their work make a balanced assessment of all issues of relevance to the work and should not be influenced by their personal interest or the interests of other persons.

IV. Continually improve their proficiency and the effectiveness and quality of their services.

2.11.4 Applicability and Enforcement

This Code of Ethics applies to both individuals and the Office providing internal auditing services.

Breaches of the Code of Ethics will be evaluated and administered in accordance with the IAA Act and Regulations as well as the University's policies and procedures.

2.11.5 Non-Adherence

Any internal auditor who acts in breach of any of the requirements of confidentiality, integrity, objectivity and competence shall be subject to such action as the Council of the University shall recommend including criminal prosecution (Section 25(2) of Act 658).

2.11.6 Independence and Objectivity

IIA Standards 1100 require that the Office's activity be independent and Internal Audit staff be objective in performing their work. For independence, the Internal Auditor must report to a level within the organization that allows the Office's activity to fulfil its responsibilities. In the case of KNUST, the head of the entity is the Vice Chancellor and the Internal Auditor reports to him/her and so the requirement is fully satisfied.

In order to maintain independence and objectivity, Internal Audit staff must have an impartial, unbiased attitude, devoid of any conflict of interest or perception of conflicts of interest, and must not perform audit assignments under the following instances:

- Any situation that involves a member of the Auditor's immediate family;

- Any activity that the Auditor previously performed or supervised unless a reasonable period has elapsed;

- Any activity to which the Auditor previously provided advisory services unless a reasonable period has elapsed;

- Any activity that the Auditor has authority over or has responsibility for, and

- Any situation in which other conflict of interest or bias is present or may reasonably be inferred.

A conflict of interest exists even if no unethical or improper act has occurred. A conflict of interest can create an appearance of impropriety that can undermine confidence in the work and thereby affect the reputation of the Office.

To ensure compliance with IIA independence requirements, Internal Audit staff will document whether or not any impairment exists for conducting the current Audit Plan by signing the Internal Auditor's Annual Independence Statement at the beginning of each fiscal year. Audit assignment that arise during the year that were not part of the original audit plan, require a separate Independence Statement for each auditor involved.

While the Office's function is independent from all other KNUST's activities, situations may arise whereby there is an apparent or actual impairment to independence and objectivity. In those circumstances, the Internal Auditor will report the apparent or actual impairment to the Vice Chancellor and will take action where necessary to resolve the issue. In those situations, whereby the independence and objectivity of the Vice Chancellor may also be impaired, the facts will be reported to the Audit Committee Chair, who is not impaired to resolve the issue.

2.12 Quality Assurance

The purpose of this section is to provide information regarding the Internal Audit Office's quality assurance procedures and professional development.

2.12.1 Quality Assurance and Improvement Programme

The purpose of the Quality Assurance and Improvement Program (quality assurance) is to provide verification that the work performed by the Office meets IIA Standards. In addition to the ongoing Engagement Quality Assessments performed at the completion of each engagement, a formal quality assurance self-assessment of the Office's conformance with the IIA Standards should be performed annually. It is expected that this assessment would be done before the Internal Audit Agency (IAA) staff visit the University.

To complete the assessment, the Office should review any changes in the IIA Standards, practice advisories and implementation guidance, and assess their impact on the operations of the Department. Other steps that should be performed include:

- Review all Engagement Quality Assessments performed during the prior year and change audit procedures as necessary to correct any issues identified,

- Review the End of Audit Client Surveys relating to the performance evaluation of the Office and change procedures as necessary to correct any issues identified and

- Review and update the Audit Manual to improve efficiency and ensure compliance with IIA Standards.

The results of the annual quality assurance self-assessment will be presented to the Audit Committee and to the University Council.

The IIA Standards also require an external quality assurance peer review to be completed at least once every five years. The Office will obtain the required external quality assurance peer review. The results of the peer review assessment will be documented in a report prepared by the peer review team and is presented to the Audit Committee and to the Council.

2.12.2 Periodic Review of Audit Charter and Organizational Independence

The IIA Standards require the Internal Auditor to periodically review the Internal Audit Charter and present it to the Vice Chancellor and the Council for approval. The IIA Standards also require the Internal Auditor to confirm the independence of the Office's activity to the Council at least annually. These reviews will be formalized in a report to the Audit Committee and the Council. Recommendations will be provided to correct any non-compliance issues identified.

2.13 Other Administrative Procedures and Forms

Audit Software

The Audit Office has plans to adopt the use of TeamMate as the software to be used for all audits. Even though some of the working papers would be generated with excel, if we refer to the electronic working papers then it is the one from TeamMate.

Various forms and templates have been created to facilitate staff ability to prepare work papers timely and efficiently. However, as these are templates, they are meant to serve as guidance. Staff is expected to modify the forms and templates as needed to meet audit objectives.

At the start of an engagement, a project file would be created within TeamMate on the Internal Audit shared drive. The Office's shared drive would hold the forms which are used for planning, executing and reporting on the engagement. Instructions for the use of the software would be made available to staff on the shared drive.

3. Staff Proficiency and Development

3.1 Introduction

Internal Auditing Standards 1210 requires that Internal Auditors must possess the knowledge, skills and other competencies needed to perform their individual responsibilities.

3.2 Staff Proficiency

Qualification to work at the Internal Audit Office would be in accordance with the University's policy as enshrined in the Criteria for Appointments and Promotions Document. However, it must be stated that Internal Auditing is a profession regulated by the Institute of Internal Auditors. A qualified person is awarded a Certified Internal Auditor (CIA) certificate.

Senior Members who will manage the audit staff at all levels in the Office should hold a CIA or Institute of Chartered Accountants, Ghana (ICAG) certificates or Association of Certified Chartered Accountants, UK (ACCA) in addition to a second degree certificate relevant to Auditing & Accounting and Finance.

3.3 Training and Workshops

Internal auditors should be trained to equip them with the needed technical and behavioural skills to enable them carry out internal audit assignments with professional due care and proficiency. Regular training of internal auditors enable them to acquire the necessary skills required for the internal audit assignments. The overall aim of the training programme should be to develop a wide range of audit skills including the following:

a) <u>Basic Technical Skills:</u> these include, analytical review skills, use of audit programmes, flow charting, sampling and testing skills, production of satisfactory working papers and audit report writing;

b) <u>Professional Skills:</u> knowledge of accountancy and auditing, relevant legislation, ethics of the Institute of Internal Auditors;

c) <u>Specialist Technical Skills</u>: these include Information Systems Audit, Procurement Audit, Contract/Project Audits;

d) <u>Investigatory Skills:</u> how to conduct a value-for-money audit, special investigations on fraud and corruption;

e) <u>Interpersonal and Communication Skills</u>: interviewing techniques, how to deal with uncooperative clients/ staff and how to persuade management to accept audit recommendations;

f) <u>Management and Organisational Skills</u>: how to conduct an audit from planning to reporting stage, how to lead an audit team and

g) <u>Knowledge of an Organisation:</u> knowing the protocol, regulations, procedures and decision making processes of an organisation and knowing how it is structured.

Apart from the training which can be on campus or outside campus, staff would be allowed to attend workshops organised by the following bodies:

- Institute of Internal Auditors
- Internal Audit Agency
- Institute of Chartered Accounts (Ghana)
- Others (i.e. Association of Certified Accountants – UK & Institute of Taxation Ghana)

3.4 Development

Staff should take advantage of the existing study leave opportunities in the University to upgrade themselves. The development should be in line with Auditing and Accounting. Even though the nature of audit work can absorb a lot of professions, for example those with IT background, they are useful in Audit only when specialised audits i.e. reviewing the University IT Systems, are being conducted. Such jobs are also done periodically, say, once in every two years

It, therefore, stands to reason that if staff are developing themselves it must be first, in the area of Auditing and Accounting and the other specialised skills can be an added advantage. All Staff are advised to pursue certification from Professional Bodies like the Institute of Internal Auditors for Certified Internal Auditor (CIA) or Institute of Chartered Accountants for Certified Accountant (CA) or Certified Information Systems Auditor (CISA)

3.5 New Staff

All new staff will receive an induction session to orient them on the following:

I.   Role of the Audit Office in the University (Structures, environment, etc.)

II. Relevant legislations.

III. The procedures manual including Internal Audit Manual of the University.

IV. HR Manual.

V.   Risk assessment procedures of the University.

VI. Reporting procedures.

VII. Filing system.

VIII. ICT systems (Information and Computer Technology).

4.0 Nature of Work of Internal Audit Office

Broadly, the nature of work of the Internal Audit Office can be categorised into the areas of:

- Corporate Governance,
- Risk Management and
- Internal Controls.

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

4.1 Corporate Governance

Corporate governance involves a set of relationships between the University's Management, its Council, its Owners and other stakeholders. Corporate Governance provides the structure through which the objectives of the University are set and the means of attaining those objectives and monitoring performance are determined.

The components of the Corporate Governance structure are the Council, laws & regulations, teaching and learning practice & ethics, disclosure & transparency, monitoring and communication. The Internal Auditors have roles to play in each of these components.

As a Public Institution, the University is governed by all the Acts that are relevant to public institutions and the Statutes of the University. The University **Council** is the oversight body with the following Principal Officers:

- The Chancellor

- Chairman of Council

- Vice-Chancellor

4.1.2 Establishment of Audit Committee

Section 86 (1) of the Public Financial Management (PFM) Act, 2016 (Act 921) states, there is established by this Act, an Audit Committee that shall serve one particular covered entity or any other covered entities in a sector.

4.1.3 Composition of Audit Committee

Section 87 (1) states that an Audit Committee shall consists of five (5) members as follows:

- The majority of members of an Audit Committee shall be independent members.

- The Internal Audit Agency and the Institute of Chartered Accountants, Ghana shall nominate the majority of members from among persons who do not work in the University and two other members shall be nominated by the Vice Chancellor from the Council.

- The chairperson of an Audit Committee shall be elected from among the independent members of the Committee.

- The Audit Committee may, in the performance of its functions under this Act co-opt senior management personnel to serve on the Audit Committee.

- The Vice Chancellor shall appoint the Chairperson and members of an Audit Committee.

- In attendance to answer the queries of the Committee members are:

    - The Vice - Chancellor

    - The Internal Auditor

- The Finance Officer

- The Registrar

4.1.4 Functions of Audit Committee

Section 88 (1) requires that the Audit Committee ensures that the Vice Chancellor,

1. pursues the implementation of any recommendation contained in:

    • an internal audit report;

    • Parliament's decision on the Auditor-General's report;

    • Auditor-General's Management Letter; and

    • the report of an internal monitoring unit in the University, particularly, in relation to financial matters raised; and

2. Prepares an annual statement showing the status of implementation of any recommendation contained in

    a. an internal audit report;

    b. Parliament's decision on the Auditor-General's report;

    c. Auditor-General's Management letter;

    d. the report on financial matters raised in an internal monitoring unit of the University and

    e. any other related directive of Parliament.

3. An annual statement required above shall:

    a. indicate the remedial action taken or proposed to be taken to avoid or minimise the recurrence of an undesirable feature in the accounts and operations of a covered entity;

    b. indicate the period for the completion of the remedial action and

c.   be endorsed by the relevant sector Minister and forwarded to the Minister, Parliament, Office of the President and the Auditor-General within six months after the end of each financial year.

4.1.5 Audit Committee Reports

Section 88 2(c) of the PFM Act recommends that the Audit Committee prepares an <u>Annual Statement</u>, to be completed within six (6) months after the end of each financial year and endorsed by the relevant sector Minister. The report is to be forwarded to

- The Minister,
- Parliament,
- Office of the President and
- The Auditor-General

4.1.6 The Internal Auditor's Role

Under Governance, the Internal Auditors:
- Assist the University Council in its self-assessment against best practices.
- Assess Audit Committee's effectiveness and compliance with regulators.
- Review audit committee charter with help of a legal counsel.
- Be abreast with the subject of governance and thus suggesting best practices ideas about internal controls and risk management processes to the audit committee members.

Under Laws and Regulations, the Internal Auditors:
- Verify that the University has identified, assigned responsibilities and addressed all of the key legal and regulatory requirements;

- Look for opportunities to leverage compliance activities and capabilities to reduce long-term costs and improve performance;

Under Business Practices and Ethics of Internal Auditors:

- Review code of conduct and ethics policies, making sure they are periodically updated and communicated to management and employees.

- Perform a behavioural ethics review to assess the understanding, perception and compliance across organisational levels.

- Help management and audit committee hold people accountable.

- Serve in the ethics oversight role or confer with the organisation's ethics officer.

- Conduct annual audits and reporting results to the University Council.

- Assess linkage of ethics to goal setting and performance evaluation process.

Under Disclosure and Transparency, the Internal Auditors:

- Conduct test of financial disclosures and confer with the Finance Officer:

    - Understand concern for disclosure and transparency and align risk assessment with stakeholder expectations.

    - Address disclosure and transparency objectives in the annual audit plan.

- Understand the breadth and depth of disclosure and transparency possibilities and where the entity strives to be or should be on the spectrum.

Under Enterprise Risk Management (ERM)

All Auditors:

- Are proactive in advocating for participation in the University's ERM efforts including a commitment to common methodologies and tools.

- Facilitate identification of key risk areas for the organisation as well as all key processes.

- Assist in the development of standards and processes flow documentation.

- Assist process owners in understanding assessing, designing and document controls.

- Keep records of organisational risk compliance activities and strive to integrate them into a common methodology.

- Evaluate business and process owners on accepting responsibility for ERM.

Under Monitoring, the Internal Auditors:

- Understand what monitoring activity is taking place in the University for each of the other components of the governance framework.

- Facilitate the implementation of a common risk monitoring methodology across all corporate governance functions, feeding an integrated reporting system.

- Perform a strategic level corporate governance audit or ensure one is conducted;

- Incorporate tactical level corporate governance aspects into audit plans.

Under Communication, the Internal Auditors:

- Participate in ongoing dialogue with Finance Officer, Registrar and other Senior Management Officers.

- Maintain steady communication with audit committee members and oversight executives.

- Include information about corporate governance in audit reports.

- Assist establishing a corporate governance communications calendar and solicit input on needs and articles across the organisation.

In summary, the internal auditors operate in two capacities regarding Corporate Governance:

- First, provide independent and objective assessment on the appropriateness of organisational activities.

- Second, act as catalysts for change, advising or advocating improvements to enhance the organisation's structure and practices.

4.2 Risk Management

4.2.1 Definition

Risk is the threat to achieving an objective (ISO 31000). *Risk is a possible threat that an event (complex of events), activity (complex of activities) or inactivity may cause loss of assets or reputation and threaten successful achievement of objectives of an organisation.*

Risk management is the identification, assessment and prioritisation of risks followed by coordinated and economical application of resources to minimise, monitor and control the probability and/or impact of unfortunate events.

The KNUST Risk Policy makes provision for risk management. However, the following shall be adhered to.

4.2.2 Responsibility for Risk Management

It is the duty of management to ensure that risk is adequately managed in the University. Management must set the tone and structures for

the management of risks. Every staff has a role to play in the effective management of risk.

4.2.3 The Internal Audit Office's Role in Risk Management

The Internal Audit Office acting in a consulting role assist the University in identifying, evaluating and implementing risk management methodologies and controls to address risk. The Internal Auditor should obtain an understanding from the Vice Chancellor and the Audit Committee on their expectations of the Audit Office's role in the risk management process.

4.3 INTERNAL CONTROLS

Internal control is the process designed and effected by those charged with governance, management and other personnel to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.

Internal control is designed and implemented to address identified business risks that threaten the achievement of any of these objectives.

The Institute of Internal Auditors define internal controls as *'Any action taken by management, the board and other parties to enhance risk management and increase the likelihood that objectives and goals will be achieved'.*

The objective of implementing internal controls is to evaluate the effectiveness and efficiency of the organisation, ensure the integrity of its financial records and confirm with all applicable laws and regulations. The University has established systematic measures to consistently monitor its internal controls which must be regularly updated to reflect changes in regulations.

The Internal Audit supports Management's efforts to establish a culture that embraces ethics, honesty, and integrity. They assist Management

with the evaluation of internal controls used to detect or mitigate fraud, evaluate the organisation's assessment of fraud risk, and are involved in any fraud investigations.

4.3.1 Role of Internal Audit Office in Evaluating Internal Controls

The IAO reviews all business process activities within a specific department or throughout the entire University. Some of the pieces of information the Internal Audit looks at includes assets, liabilities, expenses, revenues, IT environment, cash flow statements and inventory.

It is the Internal Auditor's responsibility to determine if the books are intentionally being tampered with or if mistakes have been made in the recording process.

The Internal Audit activity must assist the University in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement.

In the process of evaluating or reviewing the controls in either a specific department or throughout the University, the Internal Audit Office conducts audits.

Internal controls in a computerised environment include both manual procedures and procedures designed into computer programmes. Such control procedures comprise of general IT controls and applications controls.

5.0 Internal Audit Strategy and Planning

5.1 Introduction

The audit plan developed by the Internal Audit for the University is structured on three levels:

- Three-year strategic audit plan in line with the University's Corporate Strategic plan

- Annual Audit Plan

- Assignment plan

5.2 Strategic Audit Plan

The long-term planning or the Strategic Audit Plan of the Internal Audit is premised on the overall University's Strategic plan which has seven (7) thematic areas as follows:

I. Institutional Governance and Leadership

II. Development of Human Resources

III. Training, Research and Innovation for National Development

IV. Development of Infrastructure and ICT Facilities

V. Financial Sustainability

VI. Environment and Development

VII. Visibility

About seventy-five thrust areas have been outlined in the University strategic plan and Internal Audit has drawn its strategic audit plan to cover most of the thrust areas within the three – year period based on:

- Risk assessment of the thrust areas
- Frequency with which each area requires a review (based on the risk analysis)
- The audit work for the current fiscal year in a schedule of audit coverage
- The nature of the reviews
- Resources allocated to the completion

The Strategic Audit Plan is to be maintained and reviewed annually. It can be revised following changes in the activities of the University, as well as priorities and suggestions determined by the Audit Committee and the Vice-Chancellor. Any revision in the strategic audit plan must be approved by Vice-Chancellor and should be reviewed by the Audit Committee.

The strategic audit plan is sufficiently comprehensive to ensure a complete and effective review of the University's activities in a disciplined, systematic and cyclical manner and allow flexibility to accommodate special tasks and audits requested by the Vice-Chancellor, Audit Committee and/or Client.

5.3   ANNUAL AUDIT PLAN

5.3.1 Introduction

Section 83 (4) of the PFM Act requires the Internal Auditor of the University, in consultation with the Vice Chancellor and in accordance with guidelines issued by the Internal Audit Agency to prepare an annual audit work plan of the activities required to be performed by the Internal Auditor in a financial year which is determined by the risk assessment including the fiscal risk of the University.

The Annual Audit Work plan, referred to in the Law, includes an appraisal and report on:

- budget planning and implementation and compliance with national goals and objectives;
- the development initiatives of the University;
- procurement of goods, services and works;
- value for money on public expenditure;
- follow-ups on the agreed audit recommendations and required corrective actions;
- systems of government revenue collections for proper accountability; and
- proper, timely and effective use of Government financial information systems.

These guidelines, including the University's Risk Register form the basis for the preparation of the Annual Audit Plan. In practice, the Internal Auditor should submit the Annual Audit Plan for approval by the Vice-Chancellor and the Audit Committee before the end of the December to be implemented in the following year.

5.3.2 Purpose and Content

The purpose of the Annual Audit Plan is to outline the work to be performed and is designed to cover high risk activities while limiting the scope of work to what can realistically be accomplished during the upcoming fiscal year.

The content of the Annual Audit Plan includes objectives, priorities, and timing budget and resource requirements for each year. The Annual Audit Plan is primarily an extract /subset from the Audit Strategic Plan. It forms a basis for ongoing review of the audit strategic plan.

The Annual Audit Plan includes:

- Types of audits/engagements to be performed during the current year; (includes financial, operational and compliance audits, fraud investigations and information systems audit.)

- Identification / description of the activity / operation(s) within the audit universe.

- Basis of selecting thrust areas to be audited

- Duration and period for the audit

- The number of auditors to perform an audit and the resources needed;

- Identification of issues requiring specialist knowledge, as well as the number of specialists with whom external expertise / consultancy contracts are to be signed (if required);

- Other Internal Audit activities, such as training and seminars for auditors, preparation of Internal Audit activity report.

- The plan should identify the auditable areas that are not covered in the plan and the reasons for which there will be no audit activities.

The Internal Auditor is responsible for the implementation of the internal audit plan. She/he is also responsible for establishment of an effective supervision system ensuring the implementation of the Annual Audit Plan.

5.3.3 Processes to Amend the Approved Plan

If at any point in time, the Internal Audit is requested to undertake a special / unplanned assignment or if there is a change in the risk assessment of the University's operations requiring an amendment of the approved Annual Audit Plan, the Internal Auditor will revise the audit plan and:

- Consult the Vice-Chancellor,

- Submit a revised annual audit plan, along with an explanation for the change, to Audit Committee for review

- Submit a revised annual audit plan, along with an explanation for the change, to the Vice-Chancellor for approval.

5.4 Assignment Plan (Planning Audit Engagement)

Internal Auditors should develop and record a plan for each engagement, including the scope, objectives, timing and resource allocation.

In planning the engagement, the Internal Auditor should consider the following:

- The objectives of the activity being reviewed, the significant risks to the activity, and the means by which the potential impact and/or likelihood of risk is kept to an acceptable level.

- The adequacy and effectiveness of the activity's risk management and control systems.

- Scope of the audit.

- Objectives/purpose of the audit.

- Number of auditors to perform the assignment and the resources needed.

- The timing and duration of audit activities.

- The opportunities for making significant improvements to the activity's risk management and control systems.

The optimum allocation and deployment of Audit staff to assignments is a key element in the efficient management of the Internal Audit.

Based on the approved Annual Internal Audit Plan, the Internal Auditor will assign audit engagements in different thrust areas to the individual Auditor(s) so they can begin the planning process of the audit.

In allocating the task, the following factors which influence scheduling and assignment of audit work should be considered:

- Degree of risk or exposure to loss.

- Type, nature and complexity of audit.

- Calibre of client staff responsible for the auditable area.

- Skills, experience and competence of internal audit staff.

- Availability of logistical resources.

- Outsourcing of Technical Skills

The Internal Auditor should hold regular meetings with staff to follow up on the assignment to its successful completion. Such meetings should be held at least on monthly basis.

6.0 Audit Process

6.1 Introduction

The Internal Audit Office focuses on providing assurance to Management in five general areas of KNUST's operations:

- **Compliance with applicable policies, procedures, laws and regulations** – Activities are conducted in accordance with relevant policies, procedures, laws and regulations.

- **Effectiveness of operations and controls** – Activities are performed adequately to produce the desired or intended results, and controls to mitigate risk are adequate and operating as intended.

- **Efficiency of operations** – Activities are performed economically with minimal wasted effort or expense.

- **Safeguarding of resources and information** – Prevention of loss of assets or resources, whether through theft, waste, abuse or inefficiency and protection of confidential information.

- **Reliability of reporting and data** – Reports provide Management with accurate and complete information appropriate for its intended purpose. It supports Management's decision making and monitoring of the entity's activities and performance.

The Audit Process encompasses the following five stages:

A. Planning

B. Fieldwork

C. Reporting

D. Quality assessment

E. Follow-up

6.2 Planning

The work begins with planning how an audit assignment is to be executed. The senior members and team leaders determine the appropriate and sufficient resources to achieve the objective(s) based on an evaluation of the nature and complexity of each engagement and time constraints. Planning consists of researching the area or activity to be examined and identifying areas of intended focus.

In planning an audit assignment, items that must be considered include:

- The objectives of the Unit / Area for example Basic Schools, i.e. why they were set up and how they intend to achieve the objective;

- The criteria established by management to determine whether objectives and goals have been accomplished;

- The significant risks to the area/activity, its objectives, resources and operations and the means by which the potential impact of risk is mitigated to an acceptable level;

- The adequacy and effectiveness of the governance, risk management and controls processes compared to a relevant framework or model (best practices); and

- The opportunities for making significant improvements to the governance, risk and control processes.

An assessment on the necessary knowledge, skills or competency should be determined prior to performing an engagement. This includes an evaluation of the risk of fraud, key information technology risk and controls, and available technology-based audit techniques.

The relevant systems, records, personnel, and physical properties should be considered when planning the scope of the project. The detailed planning document should identify key risks, controls and

related procedures and provide background information relating to the auditable area or activity.

The planning process culminates in the creation of an Audit programme, which will be presented for discussion to the staff in charge of the process under review. The Audit Programme would highlight the scope, the objectives, the type, approach, and extent of work that the Office intends to perform, and the corresponding timeframes for completion. The Audit Programme is specifically tailored to the areas under examination and are designed to be flexible in their usage; procedures may be added or removed depending on the extent of work deemed necessary or appropriate during the project.

A Risks and Controls Matrix will be prepared to identify the relevant risks' exposures (including the risk of fraud) and the corresponding controls used to mitigate those risks for the area/activity being audited.

The controls reviewed may include those used to achieve strategic objectives, reliability and integrity of financial and operational information. Others would include the effectiveness and efficiency of operations, safeguarding of assets and compliance with laws, regulations, policies, procedures and contracts. This analysis assists Internal Audit staff to focus on the University-wide risks.

At the completion of the planning phase, the Risks and Controls Matrix should be reviewed by a Deputy Internal Auditor and the Team leaders responsible for the area/activity being audited. This review validates the accuracy and completeness of the identified risks and mitigating key controls.

Prior to the start of fieldwork, the audit staff will communicate the details of the scope document with representatives of the area/activity to be audited and to discuss any questions or concerns, or any specific areas that they would like to have them examined. This communication potentially yields additional information that provides the audit staff with a greater understanding of the area or activity to be audited. In conjunction with the above, the following steps should be completed within Team mates:

Background (Understanding Client Business)

Background information is typically gathered prior to the Entrance Conference. Internal Audit staff should gather pertinent information about the area or operation under review in order to provide the basis for the audit assignment.

The following methods could be used to obtain information about the activity, system of control or process under review include:

- Interviewing appropriate personnel of the University.
- Reviewing Laws and regulations.
- Reviewing procedure manuals, policies.
- Reviewing job descriptions.
- Reviewing or preparing flowcharts.
- Tracing one or more transactions through related documents (also known as transaction walkthroughs).
- Completing internal control questionnaires.
- Observing operations.

Review of Previous Audit File

A review of prior audit files, if available, may help identify risks or findings that may be relevant to the upcoming client/engagement.

Entrance Conference

This is the initial interaction with the Department or Unit to be audited. The purpose of the entry conference is to communicate with all relevant stakeholders about the upcoming audit engagement.

I. Attendees should include the engagement team and members of client management responsible for the activity being examined.

II. On the agenda, the Internal Audit will present:

    a. Objectives of the Audit

b.   Context and advantages of the Audit

c.   Scope of the Audit work and

d.   Timelines for the expected completion of the audit and the issuance of the draft report

e.   Support that would be needed from the client management

f.   Any other special request from client management that the auditor should report on

Planning Interviews

Planning interviews are used to gather information to help understand risks and controls as they relate to the Department / Unit to be audited. We also use this period to gather information of significant changes that occurred during the year. Key personnel with roles and responsibilities directly related to the audit under review are identified.

During Planning Interviews, Internal Audit staff learn about specific program details and processes, IT systems in use, the existence of internal policies, procedures, or other practices, the extent to which staff is trained and supervised. Relevant process owners should provide a detailed explanation of the business process. This process will be documented in the working papers and filed. Such documentation may take the form of a narrative description, a flowchart depiction, or a combination of both when appropriate.

These elements assist the Office in identifying the Risks and Controls, which in turn facilitate the completion of the risk assessment.

General/Risk Interviews: This template is used when interviewing different key stakeholders about the program under review. Choice of template is at the auditor's discretion however, the Risk Background-General template may also be used to complete a document review, if pertinent and applicable.

Risk Interviews IT: This template is used when conducting a risk-related interview specific to Information Technology systems and/or databases used within the scope of the project objectives.

Internal Audit staff should maintain awareness of fraud, waste, and abuse during the interview process. It is appropriate to ask fraud-related questions during the interviews. The interviewee should be left alone, without the presence of a supervisor when asking fraud-related questions. Fraud related questions should be asked of both management and staff level employees.

Fraud Brainstorm

Where the assignment involves fraud, the Deputy Internal Auditor and the audit team should conduct a Fraud Brainstorm meeting from the information gathered. The purpose of the Fraud Brainstorm is to review information garnered from background research, criteria, document reviews, and prior audit files and to determine what risks exist related to the program under review, including the potential for fraud, waste and/or abuse.

Risk Assessment Matrix

The Risk Assessment is a process by which auditors summarize the Risks and Controls identified throughout the course of planning an engagement. Professional judgment is used to assess the likelihood of the risk occurring as well as the adequacy of any mitigating controls. During the Risk Assessment process, the key risk items are identified and potential fieldwork procedures are designed for testing purposes. Steps to perform Risk Assessment has been provided at Appendix 1 for your information.

End of Planning Summary

During the Entrance Conference, it is expected that Internal Audit staff will determine the extent to which the audit client would like updates on the assignment status. Generally, these updates occur bi-weekly, when the assignment would take a long time. In addition, it should be

determined if the client prefers email updates or in-person updates. Depending upon;

- what is resolved during the entrance conference and

- the types of issues identified during planning.

It may be appropriate to hold a formal End of Planning meeting, first with the engagement team, including the Deans and Directors and possibly, with the applicable Provost.

6.3 Fieldwork

This stage of the process involves executing the procedures described in the scope documents. Consideration is given to the underlying risks of the business or activity being reviewed and how those risks are managed or mitigated. Policies, procedures, and processes should be evaluated for appropriateness and whether they are operating as intended. Specific templates exist for documenting Fieldwork, refer to the **appendix. 3**

6.3.1 Control Testing

A visit at the College/Department would show that Internal Controls exist but they are not effective and in rare cases, the controls may not exist at all. The extent of substantive testing is based upon the results of the Internal Control Evaluation. Where the controls exist, compliance tests should be performed to determine effectiveness of prescribed controls in order that they may be relied upon to determine the nature, extent and timing of substantive testing.

The test would provide reasonable assurance that the Internal Control procedures are being consistently applied as prescribed by policies, procedures, rules and regulations and sound business practice.

6.3.2 Review of Internal Controls

When assessing the adequacy of the business control process, Internal Audit staff should consider whether the following control objectives have been met:

1. Authorization – Controls should include processes and procedures to ensure that only authorized transactions take place.

2. Validity – All recorded transactions should be valid. The Internal Control process should include processes and procedures to preclude the inclusion of fictitious or non-existent transactions in the books and records.

3. Completeness – The control processes and procedures must prevent the omission of transactions from the records.

4. Valuation and Risk Measurement – Internal Controls must include policies, processes and procedures that prevent errors in measuring and recording transaction amounts and the resulting risks.

In general, if errors or omissions are noted during the initial walkthroughs or testing (findings), further testing should be performed to determine whether the errors were isolated in nature or whether there is a more systemic problem inherent to the control environment.

The potential issues identified should be discussed with the audit client to validate the factual accuracy, to determine root cause and identify any compensating controls.

Root Cause Analysis is an integral part of the process used when assessing the impact of findings. It is used to identify why the issue occurred so that an appropriate recommendation can be made to resolve the control gap. It will ultimately improve the long-term effectiveness and efficiency of business processes and thus, the overall governance, risk and control environment.

During fieldwork, the audit team should identify, analyse, evaluate and document sufficient, reliable, relevant, and useful information to

achieve the objectives. This <u>evidence gathered will be documented in the work papers and used as the basis for the conclusions</u> made and the reported results of the audit.

6.3.3 Sampling

It is often impractical to perform tests of details on 100% of the items making up an account. In these instances, in order to evaluate audit evidence about some characteristics of the items being audited the Internal Auditor selects items based on a sampling method to assist him/her in forming a conclusion concerning the population.

The determination of the appropriate selection method depends on the test objectives, including the assertions being tested and the characteristics of the account or population to be tested. When compliance and substantive tests involve inspection procedures, sampling is likely to be the most cost-effective means.

Sampling involves making decisions about the following:

I. Selection of items – which ones and how they are selected?

II. Size of Sample – How many items are selected from the population?

III. Precision of the sample – how much it may vary as a result of error?

IV. Reality of sample statistic - how much it may vary as a result of error?

Determining whether or not a test of an account balance or class of transactions should include audit sampling depends on the objective to be achieved by the procedure. If the objective of testing the recorded amount of several items included in an inventory balance is to project the results of the test to the entire inventory balance, the Auditor should use audit sampling.

On the other hand, if the objective were to test for misstatement in only those few items without evaluating the characteristics of the inventory as a whole, the procedure would not involve sampling.

Once a decision has been made to use audit sampling, the auditor must choose between **Statistical** and **Non-Statistical** (judgment sampling). The Auditor should rely on sound audit judgment in determining which method to use.

There are four commonly used sampling methods:

Statistical sampling methods:

1) Random Sampling Methods

2) Systematic Sampling

Non-Statistical sampling methods;

3) Haphazard Sampling

4) Judgmental Sampling

Random Selection

Items selected are drawn at random from the entire population so that each item has an equal chance of selection. Random sampling works best when each of the items in the population bears some sort of serial number. A table of random numbers or a random number computer program should be used to select the items for testing.

Systematic (Interval) Selection

From the sampling frame, a starting point is chosen at random, and thereafter at regular intervals.

Example

Suppose you want to sample 8 items from a list of 120 items. 120/8=15, so every 15th item is chosen after a random starting point between 1 and 15. If the random starting point is 11, then the items selected are 11, 26, 41, 56, 71, 86, 101, and 116.

If there were 125 items, 125/8=15.625, so should you take every 15th item or every 16th item? If you take every 16th item, 8*16=128 so there is a risk that the last item chosen does not exist. To overcome this, the

random starting point should be between 1 and 10. On the other hand if you take every 15th item, 8*15=120 so the last five items will never be selected. The random starting point should now be between 1 and 20 to ensure that every item has some chance of being selected.

Haphazard Sampling

Samples are selected without following a structured technique, however avoiding any conscious bias or predictability. However, analysis of a haphazard sample should not be relied upon to form a conclusion on the population.

Judgmental Sampling

Under this method, bias is placed on the sample (E.g., all sampling units over a certain value, all for a specific type of exception, all negatives, all new user, etc.) Judgment sample selection is based on the auditor's sound and seasoned judgment. Three basic issues determine which items are selected:

- Value of items. (E.g. A sufficient number of extensively worked or older accounts should be included to provide adequate audit coverage).

- Relative risk. (E.g.; Items prone to error due to their nature or age should be given special attention).

- Representativeness - Besides value and risk considerations, the auditor should be satisfied that the sample provides breadth and coverage over all types of items in the population.

It should be noted that judgmental sampling is not statistically based, and results should not be extrapolated over the population as sample is unlikely to be representative of the population.

It should also be noted that in many instances, statistical sampling is not required to provide observations about the effectiveness of the client's internal controls. When applied with appropriate professional care and rationale, judgmental sampling techniques are acceptable, although

there may be instances in which statistical sampling is more appropriate or required.

6.3.4 Document Request

The Document Request is used to track the requests made of the client for information. It is important to document what was requested, to whom the request was made, the date requested, and the date received so that when auditors need to follow up, there is a record.

This document should be updated throughout the course of the audit by the Internal Audit staff responsible for making the specific request. It is expected that all staff working on the assignment contribute to this work paper, but the team lead is responsible for ensuring it is updated and finalized (signed off) when finished.

6.3.5 Document Reviews

There is the temptation to make a photocopy of all documents that you review during the audit. This is not necessary when the document has peculiar references, for example, invoice number, P.V. number, any serial number, the transaction date. Quote these numbers on your working papers and it can lead you to the exact document when the need arises.

However, in some rare cases, you can make a photocopy of the document, well-referenced and placed on file.

6.4 REPORTING

Using the report template, a draft report containing significant findings and observations should be prepared at the end of each engagement. This includes any significant risk exposures, control issues, fraud risks, or governance issues.

The report should be:

- Accurate,
- Objective,
- Clear,
- Concise,

- Constructive,
- Complete and
- Timely.

The draft report will be cross-referenced to supporting work papers in order to demonstrate sufficient and appropriate evidence for the conclusions.

The report should include the objectives, the scope of work performed, an overview of the business or activity, an opinion on the adequacy of the internal controls, conclusions regarding significant findings and observations and recommendations to management to address any issues found. A report should also acknowledge when satisfactory performance is determined.

The detailed draft report will be provided to Management with direct responsibility over the area audited prior to the exit conference. After feedback is received, Internal Audit Staff determine whether the report needs to be amended. Feedback includes Management's responses to findings and recommendation. Internal Audit staff then finalizes the report and distributes the document to the Vice-Chancellor and management staff responsible for the activity under examination.

During the next Quarterly Audit Committee Meeting, the final report is distributed to the Audit Committee, and after acceptance, the final report is submitted to the Internal Audit Agency.

Before releasing an internal audit report publicly, the following should be considered:

- Assess the potential risk to the organization;
- Consult with management and legal counsel;
- Control dissemination of information in the audit report

Once the final report has been issued, it is included in the audit work paper file together with the documentation of all relevant work performed.

If an audit report that has been issued is later found to contain a significant error or omission, <u>it should be withdrawn and an amended report should be distributed</u> *to all parties that received the original report.*

6.5 ENGAGEMENT QUALITY ASSESSMENT

The purpose of the Engagement Quality Assessment process is to provide verification that the work performed by the Audit Office meets the requirements outlined in the Audit Manual and is in compliance with IIA Standards.

A Quality Assessment Checklist will be completed at the conclusion of each assignment to verify compliance with the Audit Manual and IIA Auditing Standards. Find a copy of the check list at **Appendix 4**

6.6 FOLLOW-UP

Follow-up work is performed after the completion of an assignment. It entails Internal Audit staff determining whether the weakness in procedures or processes identified in previous Internal Audit's reports have been adequately corrected in accordance with the Management response and committed timelines. In addition, Internal Audit staff will also follow up on any recommendations issued by external auditors, as needed.

All recommendations arising from the audit engagements are summarized in an audit recommendations Excel file. Any information obtained as part of the follow up process, is electronically retained in a Follow Up file on the Internal Audit share drive. A review of the status of all prior recommendations should be completed and presented as part of the next quarter report submitted to the Audit Committee. A Follow-up template has been provided as **Appendix 5**

7.0 Performing the Engagement

7.1 Introduction

Section 2300 of the IIA Standards requires Internal Auditors, in performing their work, to identify, analyse, evaluate and <u>document sufficient information</u> to achieve the engagement's objectives. Sufficient information is factual, adequate and convincing so that a prudent, informed person would reach the same conclusions as the auditor.

Information gathered during the audit are usually kept in two files, the <u>Permanent File</u> and the <u>Current File</u>. The permanent one is usually to keep information on the management structure of the Department, their authorisation levels and copies of previous audit conclusions approved by the Audit Committee. The current file, however, holds the working papers of audit assignment in each current year.

It is important to mention three (3) major working papers that would be found in all Current Audit Files. They include:

- The Trial Balance
- Audit Program
- Analysis and evaluation of Working Papers

7.2 Trial Balance

This is the first document which is usually received from a client before one can be certain that the client is ready for the audit. In our case, the trial balance should be downloaded from the system (PANACEA) and you have to ensure that it is the final one.

7.3 Audit Programme

Engagement Work Program is a document that <u>lists the procedures to be followed</u> during an engagement, designed to achieve the engagement plan. A well prepared audit programme would indicate who performed the assignment and the date as well as the reference page on the working papers. Standard Audit Programmes have been provided at **Appendix 2** as example.

However, it is important to comment on the audit approach of these two all-important financial activities in the University.

- Review of Revenue
- Review of Procurement

Review of Revenue

The main source of revenue for a University is the students' fees. Therefore, the review of revenue should be straight forward, <u>Number of Students X Approved Fees</u>. However, there are lot of work to be done before one comes to this stage where the number of students would be multiplied by the fees.

There is the need to separate foreign students and Ghanaian Students, again Post – Graduate students have to be separated from Undergraduate Students. Finally, if we take each programme there are different courses which pay different fees and these should also be segregated before the actual number of students are multiplied by the fees.

Review of Procurement

Procurement in the University is guided by the Public Procurement Act 2003, Act 663 as amended. Therefore, the work of the Internal Audit Office is to ensure that the procurement procedures have been followed according to law. To achieve this, the Audit Programme is designed to ask the appropriate questions which is in conformity with the Law.

Secondly, the Programme is designed to ensure that procurement delays, over invoicing, non-supply of goods and supply of inferior goods can be identified during the audit.

7.4 FIELD WORKING PAPERS

Section 2330 of the Standard requires all internal auditors to document relevant information to support the conclusions and engagement results. **Refer to Appendix 3** for field working paper sample.

All working papers should stand alone. That is, it is not appropriate to draw conclusions on, say, revenue, from a different work paper, say stocks counts. All working papers should have basic elements known as the SPPRC's which is explained in detail below:

Source: The source of the information under review. Examples of potential sources include, but are not limited to:

- Name and date prepared;
- Name of system, data/information extraction date/time; and
- Name, title, and contact information of a person.

Purpose/Objective: The purpose of a working papers must demonstrate its relevance to the audit objective. During audit planning, most working papers will have Purpose Statements related to gaining an understanding of processes, controls, and risks. Purpose statements or objective should not state, *"to document…"* it should rather state *"to determine compliance with criteria" or "determine the extent to which internal controls are working".*

Audit Testing: The methodology used to perform the work. The step by step process to create a working papers, perform data analysis, etc. The procedures should be written such that an experienced auditor could replicate the work.

7.5 Nature of Audit Testing

Audit testing is broadly divided into two areas:

I. Compliance testing; and

II. Substantive testing; (Made up of Test of Details and Analytical Reviews)

7.5.1 Compliance Testing

Compliance Testing is the testing of an operation or task against predetermined criteria to measure its compliance. Compliance tests are concerned with:

- Were the necessary procedures performed?

- How were they performed?

- Who performed them?

- Were the procedures performed consistently?

Tests of such procedures require inspection of the related documents to obtain evidence in the form of signatures, initials, certification stamp and the like to indicate whether and by whom they are performed and to permit an evaluation of the propriety of their performance.

Other aspects of internal control require a segregation of duties so that certain procedures are performed independently, like accounting and payments.

7.5.2 Substantive Testing

Substantive audit evidence is the term used to describe the evidence obtained from performing substantive procedures that include tests of details (of classes of transactions, account balances and disclosures) and substantive analytical procedures.

Substantive Testing is a procedure to gather evidence of the extent of misstatements in account balances and in particular, how the value of misstatements detected compares to the value of planning materiality

for the account balance. In other words, auditors gather evidence of the extent to which each material account balance is materially complete, valid and accurate.

Types of Substantive Tests

Substantive tests include <u>tests of details</u> and substantive <u>analytical reviews</u>:

Test of Details

Test of details include procedures such as:

- Confirmation e.g., confirming account balances with third parties.

- Physical examination e.g., examining fixed assets or inventory

- Cut-off testing e.g., testing shipping and goods received cut-off

- Reconciliation e.g., reconciling a subsidiary account to the general ledger

- Observation e.g., touring facilities or observing inventory count teams

- Inquiry e.g., asking audit client to explain the bases for their judgements

- Examination e.g., examining contracts and agreements

- Re-computation e.g., re-computing the client's depreciation expense

- Tracing e.g., tracing test counts from the physical inventory observation to the inventory listing

- Vouching e.g., agreeing account details to supporting documentation such as invoices or cancelled cheques

- Casting/recalculation e.g., verifying the mathematical accuracy of a report

Analytical Procedures

Analytical review is an important part of substantive testing, and appropriate techniques should be used wherever relevant. Analytical Procedures includes:

- Trend analysis - the analysis of changes in an account over time.

- Ratio analysis - the comparison, across time or to a benchmark, of relationships between accounts and between an account and non-financial data.

- Reasonableness testing - the analysis of accounts, or changes in accounts between accounting periods, that involves the development of a model to form an expectation based on financial data, non-financial data, or both.

- Regression analysis - the use of statistical models to quantify our expectation, with measurable risk and precision levels.

- Scanning - the identification of anomalous individual items within account balances or other data through the scanning or analysis of entries in transaction listings, subsidiary ledgers, general ledger control accounts, adjusting entries, suspense accounts, reconciliations and other detailed reports.

Results: All information on the audit should be well-documented so that the review officer can make sense from it. Under no circumstances should there be an information in a report which cannot be supported by the working paper.

Conclusion: The overall summary of what was learned as a result of the work performed. The conclusion answers the purpose. It is not possible to draw a conclusion on results that are not listed in the work paper.

At the conclusion of fieldwork, the procedures performed to test the controls and the potential findings to be included in the draft report are summarized and cross-referenced to the detailed working papers.

7.6 DOCUMENTATION OF FINDINGS

Findings may involve deficiencies in internal control non-compliance with provisions of laws, regulations, contracts, or grant agreements; fraud; or abuse.

As part of an engagement, when auditors identify any finding, they should ensure that the finding can be defended from the evidence gathered and documented in the Working Papers. The findings should be relevant and necessary to achieve the objectives. Every **'Finding'** should be documented along the **5Cs**, i.e. Condition, Criteria, Cause, Consequence and Corrective action.

Condition: Condition is a situation found during the audit review. In other words, what did you find?

Example '*The Accountant uses between 3 days and 2 weeks to record his/her transaction into the ledger'.*

Criteria: Criteria is the laws, regulations, contracts, grant agreements, standards, measures, expected performance, defined business practices, and benchmarks against which performance is compared or evaluated. Criteria identify the required or desired state or expectation with respect to the program or operation. Criteria provide a context for evaluating evidence and understanding the findings.

Example '*The standard practice in accounting is to record all transaction into the ledger within 24 hours'*

Cause: The cause identifies the reason or explanation for the condition or the factor or factors responsible for the difference between the situation that exists (condition) and the required or desired state (criteria), which may also serve as a basis for recommendations for corrective actions.

Example, *'the volume of work is too many and staff numbers are too low'*

Auditors must assess whether the evidence obtained is a convincing argument for the condition (breach) which has occurred. *Common factors include poorly designed policies, procedures, or criteria;*

inconsistent, incomplete, or incorrect implementation; or factors beyond the control of program management.

<u>Consequence (Effect or Potential Effect)</u>: The effect is a clear, logical link to establish the impact or potential impact of the difference between the situation that exists (condition) and the required or desired state (criteria).

When the objectives include identifying the actual or potential consequences of a condition (either positively or negatively), "effect" is a measure of those consequences. Effect or potential effect may be used to demonstrate the need for corrective action in response to identified problems or relevant risks.

Example *'Management may not have current accounting information for decision making.'*

Corrective Action (Recommendation)

Each recommendation must fit the facts of the finding and provide suggestions to mitigate the potential risk as indicated by the facts of the finding.

Recommendations should therefore be relevant and practical, cost effective and address the root cause rather than the symptoms noted.

Example, *'In the long run Management should consider recruiting additional staff to the Accounts Department. Meanwhile, all previous day's transaction can be captured first thing in the morning before new payment vouchers are piled up'.*

7.7 EVIDENTIAL MATTER

Evidential matter obtained during the course of fieldwork provides the documented basis for the auditor's opinions, observations and recommendations as expressed in the report. Internal Audit staff are obligated by professional standards to act objectively, exercise due professional care and collect sufficient, relevant and useful information to provide a sound basis for observations and recommendations.

Types of Evidence: If the evidence supports the basic tests of sufficiency, competence and relevance, it may be used to support the auditor's finding. The following outlines the different types of evidence obtained during the course of a project:

- Physical evidence obtained through observation and inquiry;

- Testimonial evidence from interview and statements from involved persons;

- Documentary evidence consisting of legislation, reports, minutes, memoranda, contracts, extracts from accounting records, formal charts and specifications of documentation flows, systems design, operations and organization structure; and

- Analytical evidence secured by analysis of information collected by the auditor.

7.8 INVESTIGATIONS

Work covering special concerns as requested by Management, the Council, the Audit Committee, or an appropriate State or Law Enforcement Agent, is usually in response to a perceived concern with one person's or work unit's compliance with KNUST Statutes, the Laws of the Country or both.

Investigations may contain implications or suggest action involving civil or criminal action. Applicable standards of the Institute of Internal Auditors or Association of Certified Fraud Examiners will be used to perform all investigations. Due to the nature of investigations, report formats are different than audit reports and each report will be uniquely different as determined by the specifics of the investigation.

Investigation reports will generally include some, but not necessarily all, of the following elements:

- Background,
- Executive Summary,
- Scope,
- Approach,

- Findings,
- Summary,
- Impact and
- Recommendations.

These audits are conducted to identify existing control weaknesses, assist in determining the amount of loss and recommend corrective measures to prevent additional losses. The Internal Audit Office may also work with outside agencies to determine if a misconduct occurred. These types of investigations can encompass misuse of funds or assets, fraud, potential conflicts of interest, waste of resources, and/or abuse of power or resources.

7.9 Pre – Audit

In the Public Sector, Pre-Audit is a requirement enshrined in the Annual Budget Implementation Guidelines where the Internal Audit Office is to ensure that the underlying records of all payment agrees with the amount and condition of the purchase. It is therefore to be taken as one of the assurance activities to be performed by the Internal Audit Office in the Public Sector.

Pre-Audit is made up of two activities, first, Certification of the Payment Voucher (PV) i.e. ensuring that the amount written on the P.V. agrees with the underlying records. Second, is Verification i.e. ensuring that the goods or services have actually been received by the University before payment is made.

Whilst certification appears to be a simple procedure, verification sometimes have some risks involved. Staff are advised to use their understanding about risk to enhance their pre-audit work. The approach to conduct Pre-Audits have been captured in the Audit Programme found at **Appendix 2.**

8.0 Information Security – Internal Audit Office

The following security policy guidelines together with other security measures on information established by the management of the MDA should be complied with by the IAO. The Head of the IAO is responsible for ensuring compliance.

I. **Confidentiality:** All information reviewed in the course of an audit and information that auditors have access to should be considered confidential.

II. **Working Papers:** Upon completion of the audit, Working Papers should be maintained in locked file cabinets within the IAO. Access to audit files will be granted to individuals representing outside audit interests by the Head of Internal Audit. However, files should not leave the IAO without due process.

III. **Data Ownership:** All data (electronic or otherwise) kept should pertain to the MDA and related professional duties of the auditor. As such, these files are considered the property of the IAO, rather than the property of the individual who created them. All files (paper, electronic, etc.) may need to be accessed from time to time. It is the policy of the IAO that such information will be accessible to those who are entitled to have access.

These guidelines are designed to allow efficient access to information by those who are entitled to use it, yet protect the integrity of the original files.

IV. **Retention and Custody of Records:** Project files consist of all documentations that have been gathered during the course of an audit, consulting engagement, or investigation. Since the Office's plan is to use Team mate, all audit files stored on the shared drive would be considered as the official record of the Office.

In order to determine whether documentation is retained, consideration is given to the quality, usefulness and relevance of the materials. At a minimum, there should be sufficient documentation to be able to provide justification for the assessment and conclusion within audit reports.

Physical files would be maintained in the Internal Auditor's office. Electronic files located on the Office's shared drive are expected to be backed-up daily by the IT staff assigned to the Internal Audit Office.

Audit files, whether physical or electronic, are retained for <u>ten (10) years</u> subsequent to the date the reports are issued. Certain documents and records may be retained for longer or shorter periods of time, in order to comply with the Laws of Ghana, as well as KNUST Policies and Administrative Procedures.

Working Papers and documents maintained for assurance and consulting engagements are internal documents and are not subject to disclosure to unauthorised personnel. In general, they should be considered confidential and strictly controlled by the Internal Auditor before and after an engagement. Material related to an investigation may be exempt from disclosure under attorney-client privilege.

Although some records may be subject to disclosure on state law, approval from the Vice-Chancellor and legal counsel should be obtained before providing working papers or records to other employees and personnel within KNUST or external third parties, including the public.

Reference

1. The Internal Audit Manual for MDAs
2. Institute of Internal Auditors (IIA)
3. Public Financial Management Act, 2016 Act 921
4. Internal Audit Agency Act 2003, Act 658
5. The Statutes of the University.

APPENDICES

APPENDIX 1 – STANDARD AUDIT PROGRAMMES

Control Objective	Audit Procedure	Performed by:	Ref #
Test Completeness of Fee Income	Obtain the authentic information on student's numbers from the Students' Information System (SIS) a) Classify the student numbers according to - Foreign and Local Students - Post-graduate and Undergraduate Students - Classify by courses b) Apply the approved fees to the appropriate information of students' numbers. (<u>Number of Students X Approved Fees</u>.) <u>Amount obtained is supposed to be the Fee income receivable for the year.</u> c) Test the following: - Compare the amount expected with the amount paid, the difference is likely to be <u>fee debtors for the year.</u> - *Note: In determining the <u>fee debtors for the year</u> ensure that the amount paid relates to only the current year's fees.* *If you are determining <u>total debtors</u>, then you can consider <u>all payments</u> irrespective of the period the debt was incurred.* - Compare the Expected Amount with the Budgeted Revenue and derive <u>the under/ over budget</u> for the audit report.		

Control Objective	Audit Procedure	Performed by:	Ref #
Testing of Other Incomes	You can use any of the following principles: • Quantity X price • Open Finished Goods + Production–Close Finished Goods • Compilation of invoices <u>not receipts</u>		

Test Validity of Fee Debtors	Obtain the list of fee Debtors from the SIS
	
	a) Ensure that the total figure on the schedule (list) agrees with the general ledger balance" (ie you add with after agrees).
	
	b) Stratify debtors into Faculties and make a representative selection from each group and test them. Ensure that <u>you cover all the year 4 debtors.</u>
	  • Go through each selected bill and confirm the amount billed for the year for correctness.
	  • Confirm payments made, check the amount and mode of payments (J.V passed or cash paid). <u>If it's a J.V ensure that the underlying records are true and well approved.</u>
	  • Give your comment on the balances:
	    a. Long overdue
	    b. Billing the student when course has been deferred
	    c. Check application of 'Grace Period' policy
	    d. etc.		

Control Objective	Audit Procedure	Performed by:	Ref #
Test Validity of Expenditure	Obtain the information on expenses first from the PANACEA. Stratify and test the high value items: a. For each item you select, check whether there are supporting documents to that expenditure. b. Check the ledger balance against its budget. (if any) c. Comment on the highest expenditure d. Comment on unnecessary high expenditure		
Test Validity of Special Advance	Obtain the list of all staff who have been given special advances *(Source - Special Advance Register, electronic or manual)* a. Review the dates of the advance and check whether they were retired within the stipulated time b. Examine supporting documents used to retire the advances and ensure that the monies were used for the purpose for which it was obtained c. Check whether the amount on the supporting documents is fair. Check the excessive use of honour certificates for retirement and comment d. Check entries passed to ensure Special Advance is treated first as receivables and then as Expenditure. e. Check cash balances (if any) have been paid into chest.		

Control Objective	Audit Procedure	Performed by:	Ref #

Prompt Banking	Where cash is received at the office, prompt banking test is required.
	
	 a. Sum up all receipts issued within a period say, one week.
	 b. Compare the total amount with the total P.I.S for the same period and confirm further in the bank statement.
	 c. Compare whether the amount collected agrees with the amount banked.
	 d. If there are differences, look for the dates where 'Amount collected is more than Amount banked.'
	 e. Check whether there has been an abuse of funds and specify the date where the abuse occurred.
	 f. Note that:
	    i. *monies to be deposited can be split between two bank accounts*
	    ii. *monies collected on weekends would be banked on the next working day.*		

Review of Bank Reconciliation Statement	Obtain the list of bank accounts from the PANACEA a. Request from the Accountant copies of the bank reconciliation statement prepare for each month. b. Check whether it was prepared within the period stipulated in the accounting manual. c. Check whether the statement is correct, noting the treatment of unpresented and uncredited cheques Check the reversal of dud cheques, etc. d. Under no circumstance should cash deposit be seen as part of the reconciling items. e. Check the Preparer and Approval of BRS.		

Control Objective	Audit Procedure	Performed by:	Ref #
Review of Fuel Consumed	We are working under the policy of all official vehicles buy fuel from approved and designated fuel stations using a coupons and GOIL Go cards. a. Obtain the duplicate fuel coupon from the College Transport officer or the Unit Head and compile the fuel purchases. b. Check whether all vehicles belong to the College/ or the Department. <u>Private cars being fuelled by coupon should be flagged for detailed testing.</u> c. Check the high/lowest consumed vehicles and mention in the report. d. The HOD should give the reasons for the high consumption of fuel, possibly the activity level has increased. e. Obtain from the driver's vehicle log books to ensure a senior officer monitor their movement		
Test of Staff Numbers in the University	This test is supposed to give assurance that there are no 'ghost names' on the payroll of the University. a. Confirm from the Unit Head/College Registrar whether he/she has any list on the staff he has at the Department/College. b. Confirm whether the number of staff at the Department/College agrees with what is on the Payroll and make the necessary Comment c. Ensure that the staff exist and work at the Unit/College being audited.		

Control Objective	Audit Procedure	Performed by:	Ref #
Casuals & National Service Personnel	This test is to ensure that the casual staff and the service personnel do not stay on the job for ever in that position. a. Obtain the list of payment of wages and salaries from the PANACEA. b. Confirm whether the monies were paid to staff who still work at the Department or College. c. Confirm their status i.e. casuals by examining their letters of renewal, or in extreme case, do verification of staff. d. If they are national service personnel, they are not to stay on for more than one (1) year. They have to vacate the office for new people to be trained. Make the necessary comments in your audit report.		
Review of Petty Cash/Imprest Book	This test is done under the assumption of Imprest books being reviewed before replenishment. a. Check whether the person given the imprest is a Head of Department (Policy Manual) b. Check whether the items purchased with imprest are the ones prescribed in the accounting manual, e.g. payment for fuel, general transport expenses, and other routine petty office expenditure. c. Check that the items purchased are not for domestic purposes but are used in the office. d. Check expenditure to ensure no single payment exceeds 20% of the gross imprest. e. Highlight in your report the major expenditure lines of imprest. f. Check the reasonability of the purchases.		

Control Objective	Audit Procedure	Performed by:	Ref #
Test the validity and Existence of Assets	Obtain all the newly acquired assets from the PANACEA. a. Check to ensure the assets have been recorded in the assets register *(if the register is different from what has been documented in the PANACEA).* b. Check the existence by physically verifying the assets. c. Check whether the assets have been uniquely labelled or numbered. d. Ownership of the assets should have been checked at the pre-audit stage. e. Check the reasonability of the value of the item. If some assets selected from the register cannot be found physically, i.e. boarded off, - Check whether procedures were followed (Boarding-off process) - Check authorisation - Check final destination of items boarded - If sold, check the revenue recorded with price sold - For existing non-current assets, physically inspect the assets to confirm their existence and condition - For defective and disposal of non-current assets, check authorisation and document your findings		

Control Objective	Audit Procedure	Performed by:	Ref #
Pre-Audit	Technically, pre-audit is made up of two (2) steps, Certification and Verification.		
	Certification		
	Ensuring that the amounts on the payment voucher agrees with the supporting documents.		
	a. Always ensure that you are working on original invoice / document.		
	b. Where a duplicate document /invoice is being used, consult your supervisor, unless you understand the circumstances that brought about the duplicate document / invoice		
	c. Ensure that the amount on the Payment Voucher agrees with the invoice and the contract document.		
	d. Check approval and authorisation of the payment on the Payment Voucher (PV).		
	e. Check comments written by senior officials on the invoice or the contract document (say pay 70%) and apply accordingly.		
	Verification		
	Ensuring that the goods or services have been received before payments are made. Verifying assets may be easy but verifying consumables may have its own challenges. Especially where the goods would be used before payment is done.		

Control Objective	Audit Procedure	Performed by:	Ref #
	Assets verification		
	a. Physically inspect the assets. b. Check whether it has been recorded in assets register. c. Check whether it has been labelled.		
	Consumables verification		
	d. Use your knowledge in <u>materiality</u> or <u>reasonability</u> to approach the audit. For example, you don't need to go and examine the existence of a *ream of A4 sheet. However, if they bought 50 boxes of A4 sheets do the following:* - Request / approval for the purchase - Preparation of GRV, the receiver and certification - Quantity purchased - Tally Cards - Stores issue voucher - Balance - Areas that the goods were used		
	Some of the consumables, not in quantities, but expensive may not go through the steps outlined e.g. purchase of two lorry tyres.		
	When verifying such goods, the tyre might have been used already, they are not in store, so:		
	• Check the GRV and the LPO • Confirm with the Department and the vehicle that took the tyres • Confirm any inconsistencies between the records and the information obtained.		

Procurement Audit Programme (PPA Act 2003, Act 663)

Control Objective	Audit Procedure	Performed by:	Ref #
Review of the Procurement Office Activities	*Check whether the following exist and comment about it:* a. A proper Unit structure and succession plan are in place, ensuring that the Office continues to function smoothly even in the absence of the head b. Staff training c. Staff appraisal report		
Review of Procurement Procedures	This relates to University wide procurement, according to the Law. a. Check the Existence and updating of Procurement Plans. b. Check whether the following also exist: 　i. List of Entity Tender Committee members 　ii. Minutes of entity tender committee 　iii. Approved procurement plan 　iv. Budget Extract on Procurement Expenditure c. Abiding by the Approval / Authorisation Limits (thresholds) 　i. Goods 　ii. Services 　iii. Works d. Check the existence of the Suppliers list and the procedure for update. e. Check the procedure to receive items purchased and how it gets to the User Department.		

Procedure for auditing the 'Procurement Method'	Obtain the list of items purchased throughout the year and segregate it under the three (3) methods of procurement. a. For single source b. Tender (Restricted, National & International) c. Price Quotation. The Law provides the processes to be adopted when applying each method. Check whether the Law has been applied in each of the methods selected		
Request for Quotation	Popularly known as Price Quotation, the only conditionality is a minimum of three quotations. So, you select some of the items purchased and look for the three (3) quotations. • You also have to look for the approval levels whether the amount was approved by the right person. • Check the reasonability of the prices of goods and services supplied.		

| Single Sources | For **Single Source**, one of the major criteria is to take approval from PPA.

Single sources and Restricted Tender check correspondence including approvals

Check whether the following conditionalities were met before applying single sources:

• where goods, works or services are only available from a particular supplier or contractor, or if a particular supplier or contractor has exclusive rights in respect of the goods, works or services, and no reasonable alternative or substitute exists;
• where there is an urgent need for the goods, works or services and engaging in tender proceedings or any other method of procurement is impractical due to unforeseeable circumstances giving rise to the urgency which is not the result of dilatory conduct on the part of the procurement entity;
• where owing to a catastrophic event, there is an urgent need for the goods, works or technical services, making it impractical to use other methods of procurement because of the time involved in using those methods;
• where a procurement entity which has procured goods, equipment, technology or services from a supplier or contractor, determines that:
  - additional supplies need to be procured from that supplier because of standardisation;
  - there is a need for compatibility with existing goods, equipment, technology or services. | | |

Restricted Tender	A procurement entity may for reasons of economy and efficiency and subject to the approval of the Board engage in procurement by means of <u>restricted tendering</u> • if goods, works or services are available only from a limited number of suppliers or contractors; or • if the time and cost required to examine and evaluate a large number of tenders is disproportionate to the value of the goods, works or services to be procured. Where a procurement entity engages in restricted tendering on the grounds referred to in section 38(*a*), <u>Check the following:</u> • invite tenders from the suppliers and contractors who can provide the goods, works or services; • select in a non-discriminatory manner, a number of suppliers or contractors to ensure effective competition. • a notice of the selective-tendering award to be published in the Public Procurement Bulletin.		

Tender **(National, International)**	For **Tender**, *the process is long, find attached working paper table that can assist you to know what to look for. This is not exhaustive so read the law for few processes to add.* After selecting samples of each, follow through some of these steps to audit: 1. Selection of Procurement method 2. Preparation of tender documents 3. Sale and issue of tender documents 4. Tender invitation/advert 5. Receipt of tender and bids 6. Opening of tender 7. <u>Signing of tender documents ***</u> 8. <u>Evaluation reports/approvals and signed minutes</u> 9. Release of bid guarantees to all tenders 10. Contract award letters/Unsuccessful tenders 11. Demand performance guarantee from the firm awarded the contract 12. Monitor delivery and execution of contract 13. Inspection of goods; services delivered; and works executed and *(Delivery reports/ completion certificates/Stores Receipt Vouchers)* 14. Payments relating to contracts		

Stores/ Warehouse Management	In reviewing Stores Management, your checks would include: a. The staff at the stores and their qualification and training. b. The system put in place, including the recordings to receive items into store; c. Systems in place, including the recording of issuing items out stores. d. The security arrangements for items sent 'in' and 'out' of stores. e. The systems in place to replenish store (*the use of Stock Levels).* f. Stock records and their approvals (GRV & SIV). g. Periodic stock count h. How difference in count are treated and recorded.		

Stores Condition	Whilst doing the stock taking the following information are to be reviewed and comment appropriately:
	
	1. Stores arrangement
	   a. Spacing and accessibility
	   b. Electronic items cannot be kept in the same place as chemicals
	   c. Chemicals cannot be stored in the open iron rods, etc.
	2. Ventilation & lighting
	3. Store Condition, stuffy, dirty, etc.
	4. Obsolete and expiry
	5. Use of PPE (where applicable)		

Special Cases Audit

The University is very wide and varied, hence there are areas which have peculiar activity which need to be reviewed and cannot be put under general audit programme above.

We have tried to identify the special needs of various Departments under this section where we have outlined some guidelines to address the peculiar need. Find below the special cases you have to review:

1.0 Colleges

1.1 Review of Procurement Processes at the Colleges

This is to address the delay in procurement that could be experienced at the Colleges.

a. Obtain records/list of requests from their weekly/monthly etc. procurement meetings.

b. Examine letter/request which user department submitted to request for purchases.

c. Examine the date on the request letter and the date the items were purchased.

d. Document any irregularity or lapses in the procurement processes.

1.2 Update of Website Information at the Colleges

For those Colleges having dedicated website, navigate to check if:

• Information on the websites are current and relevant.

- Establish whether there is no information for the update. If the website administrator is not living up to his responsibility make the appropriate comment in your report.

1.3 Faculty Development Fund at the College

This test ensures that the Faculty Development fund is not abused, but use for the purposes for which it was created

- Compute and confirm the 40% on the Parallel/Part-time fee paid at the College.

- Check whether there are records (ledgers) to keep track of the 40%.

- *No records mean the money has been added to other monies for recurrent expenditures.*

- If there are records:

    - Check what the monies have been used for, whether it falls in line with the faculty development policy.

    - Check whether expenditure approval was given by the Vice-Chancellor.

    - Make the necessary comment and recommendation in your report.

    - Confirm the balance.

1.4   Donor Funding

This is to take care of <u>Foreign Donor Project</u> being managed in the University.

Obtain the list of all projects being managed in the University from the PANACEA – Project ledgers.

- Identify name of the project, Principal investigator, Donor/ Sponsor

- Expected Project amount, check the amount received/ disbursed so far on the projects.

- Identify bank account details, type, account number and authorisation for the opening of new projects bank accounts.

- For closed-out projects - Review the cash and bank balances, those without monies, recommend for their closure.

- For assets of the closed-out projects, check whether it has been transferred to the University.

- Review project assets including vehicles and ensure they are recorded in the assets register and labelled. Verify condition of assets and make recommendations if any.

- For project vehicles, examine the mechanism for monitoring and control of the Vehicle.

1.5 Audit at Research Centres

This audit is to ensure the efficient use of staff at the Research Centres, where staff do nothing but research. *It is likely that some people would be paid by Government every month for no work done.*

- Check the Management structure of the Research Centre.

- Establish the number of staff and their work, Permanent staff and Lectures doubling as researchers.

- Are the Centre's staff being paid every month and what do they bring in return

- Are they being funded by a Project for which they are supposed to pay Administrative Charges to the University and have the monies been paid the University.

- If there is a Donor Project going on, can it be developed by the University as an income generating venture?

2.0 PRINTING PRESS & PHOTOCOPY UNIT

Test the system by selecting a few samples of production and trace them from job card to invoicing (state whether the system is efficient).

- Check if there is a strategic plan being followed, then confirm the targets and dates

- Utilisation of capacity

- Timely banking where cash is collected

- Purchases and Storage of raw materials and finished goods

- Security concerns at the production

- Receivables and payables

3.0 Basic School

- *Note that* Reputational Risk *is key in your audit*

- They have lots of revenue items, test all

    - School fees

    - Admission forms

    - Registration fees

    - PTA Fees

    - School Uniforms & Textbooks

- Fee debtors is also an issue especially the final year students

- A significant number of temporal staff are engaged; verify the number of years each has served

- Student-Teacher-Ratio (STR) is key

- Monitoring of Quality

- Check whether the decision of the Board has been implemented

- Safety and Sanitation is key

4.0 Works & Physical Development

This follows the normal procurement procedures but when it comes to payment of certificates, ensure that:

- The work exists and it is on-going

- Value of work done is not more than the contract sum

- Understand the difference and check Variations and Fluctuations

- Check approval for the variations

- Where possible, examine the new addition to the construction

- Check previous payment which is added back to the current certificate before determining the current payments.

5.0 Estate Organisation

- They are in-charge of all landed properties of the University. They are expected to keep the list of companies/organization doing commercial activities on University's property (such as banks, supermarkets, Halls cafeteria, Swimming pool, etc.).

- Check, Customers Files, Agreement, Title deeds, Tenancy billing and payments (list of receivables) Accountability of Hawking Tolls (if stopped).

- Maintenance of landed properties, bungalows and faculty area e.g. CCB

- They also keep custody of a lot of movable properties like Classroom furniture and some bungalow furniture (Examine records).

- They keep custody of boarded properties *(note that in the public services, office furniture is usually changed when there is a new Head)* so boarded items could be new but not obsolete.

6.0 Maintenance

The risk is abuse of material and waste of man hours.

- Work through the process of reporting of fault, assignment of work and completion of work

- Check whether the process works

- Check timely completion of job

- <u>Check requisition for items, approval, and issue of items to site</u> **(very risky)**

- Visit the site and check whether the job is complete

- Check whether the person who reported the fault has signed any satisfactory note

- Confirm the time it took from the report of case to completion of assignment

7.0 Halls of Residence

- Compare Budget and Actual for both <u>Income & Expenditure</u>

- Establish the Variance and identify the causes of the variance (both income & Expenditure)

- Establish the Debtors (if any)

- Check transfers to JCR whether it is well-computed

- Check other incomes (markets & accommodation)

- Review the procedures for collecting other incomes and confirm whether they were well accounted for

- Check prompt banking

- Review few purchases, whether they are price quotation or tender

  - Check reasonability of price

  - Check whether procedures were followed

- Review reasonability of allowances and other payments

- Check investment (cost & interest)

- Review assets (old and new)

- Review casual & permanent staff status

- Review efficiency of utilities
- Review sanitation & safety

8.0 STUDENTS' ASSOCIATIONS

Risks Associated with Students' Associations

- Non accounting for special levies charged to students
- Non accounting for sponsorship
- Depletion of bank accounts during last days in office
- Printing and selling of souvenirs–income declaration
- Non-compliance of authorisation for their expenditures
- Not keeping records on assets
- Not keeping records on stocks
- Treasurers keeping cash in excess of the authorised limit in their bags
- **Confirm the Accounts** prepared by the Accountant
- In performing the audit, the above risks should be incorporated in the audit programme.

9.0 STUDENTS FINANCIAL SERVICES

1. Number of scholarships available
2. Sources of funding /sponsor
3. Bank accounts that receive the money
4. Number of students assessing the fund (year 1–4 categorisation is preferred)
5. Selection processes to qualify for the fund
   a. Completion of forms
   b. Approval process

c. Final selection (list must be verified) – let's check whether verified list agrees with the new list that accompanied the money,

d. Possibility of swapping names

6. Payment procedures

   a. How much is a person supposed to receive?

   b. Transfer from the holding accounts to, <u>Colleges</u>, <u>Cash office</u> and <u>Students financial services</u>

   c. mode of payment to students (cash or bank transfer)

   d. Should unclaimed monies be returned after a stipulated time?

7. Period for the scholarship/termination and removal of names

   a. Whose responsibility is it? (i.e. The Scholarship Office or KNUST)

   b. Granted, advise for termination has been given but payment continues, what steps should be taken to stop the payment?

Standard Audit Programme Design – KNUST Hospital

Control Objective	Audit Procedure	Performed by / Date	Ref #
Test completeness of Revenue	**Please understand the client business before you do this exercise** 1. List all the sources of revenue at the Hospital and test each of them separately. a. For revenues that can be tested using **Number of Client X Rate**, develop the expectation using the formula and compare with what has been recorded and give your comment b. For those that "expectation" cannot be applied, compile source document. c. Use other approaches like deriving sales from stocks or using margins to determine revenues		
Test prompt Banking of Revenue	• Not applicable at the Hospital. • However, review and comment on the system in place to reconcile the amount paid by patients and amount declared by the bank in the existing arrangements.		

Control Objective	Audit Procedure	Performed by / Date	Ref #
Confirm Accounts Receivable	Understand how debtors are created, and do the following: • Obtain the list of all debtors (including NHIS Receivable) • Confirm the validity of the debtors (whether there is any source document to suggest that the patient has used the services of the Hospital and has not paid) • Check whether they submit period debtors list to the Director and the FO as per the accounting policy • Check whether they keep an ageing analysis of the Debtors and look for long outstanding debtors and confirm their recoverability		
Special Advance management	Obtain the list of all staff who have been given special advances (*Special Advance Register is the source*) 1. Review the dates of the advance and check whether they were retired within the stipulated time 2. Check entries passed to ensure Special Advance is treated first as receivables and then as Expenditure. 3. Check cash balances (if any) have been paid into chest. 4. Check whether the special advance was used for the purpose for which it was obtained and whether the amount is fair.		
Test the validity of Investment	Obtain the investment schedule for all investment made at the Hospital and do the following: 1. Confirm the validity of the investment cost 2. Re-compute and confirm the interest income received/ receivable from the bank and agree with the cash book records. 3. Critically review the movement in the investment and ensure that all redemptions have been well accounted for.		

Control Objective	Audit Procedure	Performed by / Date	Ref #

Test Validity of Expenditure	From their trial balance downloaded from the PANACEA:
	
	1. Prepare your lead sheet (Summary of expenditure)
	2. Select some expenditure item and trace to the supporting document for validity.
	3. Check the following whether:
	  a. Classification of expense item in the ledger
	  b. Whether procurement law was followed
	  c. The purchase was authorized
	  d. LPO was obtained where applicable
	  e. Check the reasonability of the expenditure		

Accounts Payable	Obtain the list of all suppliers invoices that have not been paid for and *(note that the Accountant may not keep such records)* 1. Confirm whether the hospital has received any goods or service from suppliers that created such liability 2. Check whether the last bulk items, for example drugs has been recorded as part of the purchases, and also captured as part of the Creditors. (***note** it is possible last invoices could be paid and old invoice made outstanding)* 3. *If the Accountant do not keep such records, please comment*		

Control Objective	Audit Procedure	Performed by / Date	Ref #
Bank Reconciliation	Obtained the list of all banks accounts and perform the following: • Check whether monthly Bank Reconciliation Statement has been prepared. • Review the bank reconciliation statement for validity and completeness. *(Stale cheques must be reversed and cash deposits should be credited instantly never to be an outstanding item; except the deposit was made the same day the statement was printed).* • Check whether new bank accounts have been opened and confirm who gave the authorization to open a new account.		
Assets Management	Obtain the list of assets purchased in the period under review: 1. Check whether standard procedures were followed before the acquisition was made. 2. Check whether the assets register has been updated. 3. Check for the existence and condition of the assets *(new assets should be seen as such).* 4. Check Labelling of the assets. For the old assets, select some of them from the assets register and • Physically inspect them for existence & condition • Check identification marks • List the defective furniture, electrical fittings, cracks and leakages on the building and document your findings. For items scheduled to be boarded off: • Check whether the boarding procedures were followed • Check authorisation • Check the final disposition of the assets.		

Control Objective	Audit Procedure	Performed by / Date	Ref #
Prepare Accounts	Print the Income & Expenditure Accounts, the Financial Position from the PANACEA and keep it on the file.		
	Operations		
Laboratory & X-ray	Have a discussion with their Head to understand why the Unit exists • Ask whether they have standard procedures for doing their job. • Confirm how supervision is done (*for example reviewing and signing* a document) and confirm the signatures. • Check whether equipment being used have calibration date and confirm whether there is any evidence to calibration (*sticker or register to document calibration date*). • Enquire about the nature of PPE to be used and check how it is supplied. Where revenue is generated from that Unit, • check whether the amount recorded are periodically reconciled with the Accounting records and by who • select a period and test to ensure that all monies captured at that Unit agree with the information at the Accounts office.		

Control Objective	Audit Procedure	Performed by / Date	Ref #
Dispensary	Have a discussion with their Head to understand why the Unit exists • Check procedure for stocking medicines at the Dispensary. • Select few recent drugs that were supplied to the dispensary and check whether procedures were followed. • Understand how emergency cases to supply drugs are treated and make suggestion if weaknesses exist. Check how medicines sent to the dispensary are accounted for (either end of shift or end of day) • If it is signing of documents by the Head, check the signatures of the Head. • Select few medicines and test their closing balances at the end of a shift and agree with their records. Understand and review the system for serving patients whether efficiency in turnaround time can be improved.		

Control Objective	Audit Procedure	Performed by / Date	Ref #
Pharmacy Store	Have a discussion with the Head of Pharmacy and understand the processes for acquisition and issuing and accountability of drugs at the Pharmacy store. Understand the process for acquiring drugs into store, <u>normal</u> purchase and <u>emergency</u> purchase. • Select some of the current drugs purchased and test to confirm whether the procurement process was followed for the normal purchase and also laid down policies followed for emergency purchases. • Test check the quantities of few new drugs received into store by confirming the quantities on GRV. • Count quantities on the shelves and agree the balance with the SIV (issues). Note the SIVs should be well authorised and the location should be part of the University Hospital System. *If you notice any outside delivery try to under the reason, it could be a replacement of borrowed drug during emergency)* Check whether the Pharmacy has the list of fast moving and slow moving drugs. Also check whether they operate with predetermine stock levels (EOQ, ROL MinL etc.) • Select some of the medicines in stock and check it against their minimum levels.		

Control Objective	Audit Procedure	Performed by / Date	Ref #
	• Confirm the quantities in stores vis-à-vis the daily usage and see whether there could be shortages and advice for the review of their stock levels. • Understand the policy in place for minimizing expiry drugs and test whether the processes are being followed. Check whether there has been periodic stock-taking aside the annual one and do the following: • Obtain the last final stock list • Select some of the drugs and confirm the figures by physically counting the items on shelves and using the GRV and SIV determine the closing stock. • Where there are differences discuss. • Check the pricing of few items in the system and agree with the price from the last suppliers' invoice (FIFO).		
V.I.P	VIP Ward appears to have some of its operation separate from the Main Hospital. Understand the part that are separate and areas that common facilities are shared • Where the operation is distinct from the main use the same procedure at the main to test. • Where there are overlaps, check to ensure that the overlapping activates are well accounted for.		

Control Objective	Audit Procedure	Performed by / Date	Ref #
General Hospital Management	Understand the structure of the Hospital, obtain and keep in your Permanent Audit File the following: • The organogram • Units/Section at the Hospital • Required number and actual number of staff at the Unit/Department • Number of Staff on payroll and those paid from Hospital IGF • Strategic Plan of the Hospital Reviews • Confirm whether the strategic plan is being adhered to • Enquire whether there are established periods for changing some of the consumable and check whether it is being followed: a. Mosquito nets, bed sheets, curtains, etc. in the wards Check whether there is: • Staff training • Staff appraisal system (confirm and report) • Records of monitoring turn out rate at the hospital (confirm) • Records of monitoring absenteeism (confirm)		
Review of Emolument Report	Obtain the emolument report and check the following: 1. Confirm staff on long leave (e.g. study leave, maternity leave, sabbatical leave) and check whether they are receiving additional allowance. 2. Check whether staff whose due dates have elapsed have resumed work. 3. Identify those receiving car maintenance allowance and confirm whether they bring their vehicles to work.		

Control Objective	Audit Procedure	Performed by / Date	Ref #
Fleet Management	Obtain the list of vehicles at the Hospital from the main audit office 1. Check the existence of the vehicles at the Hospital. 2. Check the maintenance of log book and whether a senior officer reviews the log book. 3. Are fuel consumption and mileage checked by a responsible official?		
Utilities, Safety & Sanitation	Enquire whether there are systems in place to monitor the following: • General sanitation • Reliability of water and light • Physically observe decent electrical wiring at the hospital		

APPENDIX 3 – FIELD WORKING PAPER

Presentation of your work (working papers) can take any format depending on the nature of the test being performed. However, three standard samples have been provided below to serve as a guide

Client: College of Science				Prepared by			Date
Period: 2019/2020 Academic Year							
Subject: Fee Income For Year 1				Reviewed by			Date

Objective: *To test the completeness of Under graduate Fees paid by Ghanaian Students*

Details Programme	Number of Students	Fees Per Students	Expected Amount	Amount Recorded	Difference	Comment
	(a)	(b)	(c)	(c)	(d)	
Fee Paying						
Biological Science/Env't Science / Physics / Chemistry	1,000	5,693.60				
Optometry	1,000	7,047.60				
Actuarial Science / Statistics / Mathematics Computer Science	1,000	5,393.60				
Biochemistry / Food Science & Tech / Meteo & Climate	1,000	5,693.60				

Regular

Biological Science/Env't Science / Physics / Chemistry	500	1,647.11
Actuarial Science / Statistics / Mathematics / Computer Science	500	1,347.11
Biochemistry / Food Science & Tech / Meteo & Climate	500	1,647.11

Work done

(a) *Obtained the number of students from the ARMIS*

(b) *Obtained the fee per student from the published school fees*

(c) *Computed expected amount by multiplying (a) & (b) and agreed with the amount recorded in the PANACEA*

(d) *Differences has been used to derive fee debtors for the year*

Conclusion

Amount recorded as revenue is correct

Note:

- The total figures on this sheet must tie up with your lead sheet.

- Use the lead sheet to confirm over/under budget.

SAMPLE WORKSHEET FOR PROCUREMENT
(REFER TO PROCUREMENT AUDIT DOCUMENT FOR DETAILS)

CONTRACT DATA SHEET ON SAMPLED PROCUREMENT OF GOODS

COMPETITIVE METHODS (NATIONAL COMPETITIVE TENDERING (NCT) AND PRICE QUOTATION (PQ))

No.	Contract Name & Package Number	Name of Supplier/ Contractor/ Consultant who won the Contract	Procurement Category	Procurement Method Used	PLANNING		TENDERING PROCESS		
					Availability of approved procurement plan for 2018 (Yes/No)	Contract Package included in approved plan (Yes/No)	Was tender advertised/ letters of invitation sent out? (Yes/No)	Standard tender documents used? (Yes/No)	Number of tenders received
			Goods	National Competitive Tendering					
			Goods	National Competitive Tendering					
			Goods	National Competitive Tendering					
			Goods	Price Quotation					

Client	University Hospital			Prepared by	Date
Period	Ending December 31. 2019				
Subject:	Assets Verification			Reviewed by	Date

Objective:	To test whether assets exist and are in good condition

Assets Description	ID Number	Location	Condition	Remarks	
	(a)	(b)	(b)		
Air-condition	REL /EQ/14	Secretary's office	bad	*The AC leaks water badly*	
Laptop	REL/EQ/36	Drivers Office	good		
Office Desk	REL /FF/07	Managers Office	good		

Work done

(a) Selected assets from the assets register

(b) Physically inspected the assets and its condition

Conclusion

Assists Exist but most of them are not in good condition

      Or

Assists exist and are in good condition

Note

Prepare a different sheet for building (write bullet point on what you see)

Overview of Scholarships and Bursaries

No	Scholarship / Bursary	Sponsor	Amount Per Year GH¢	# of Beneficiaries
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				

Appendix 5 – Follow-Up Template

	Issues Raised	Recommendation	Comment		
			Resolved	Partly Dealt with	Not Resolved
1	**Non Application of Sick Leave Pay Policy** We saw an instance where staff was on long sick leave but was being paid normal salary instead of half of the salary	Apply the sick pay policy.	✓		
	The Audit checks whether the absence from work was continuous or not revealed that the staff sometimes comes to work and go back to sleep again due to the Sickness.				

	Issues Raised	Recommendation	Comment		
			Resolved	Partly Dealt with	Not Resolved
2	**Payment of Similar Allowances** Some staff were unknowingly being paid two allowances which serve the same pupose but have different names	Correction should be made to drop one of them since they all serve the same purpose	✓		
3	**Prompt Attention on Refunds to the University** A staff who is to refund monies to the University after leaving the services requested that his GUSSS should be used to defray the expenses. As at the time of the audit no refund has been done	The Finance Office should do a follow up from GUSSS to collect the money		✓	
	Monies not yet paid. Reconciliation is still ongoing				
4	**Non-Holding of AGM**				
	It was observed that the Management of the Pension has not been holding AGM, reasons being they meet bodies making up the GUSSS at different times and explain to give them updates.	Go according to Constitution of the Scheme and hold the AGM.			
	Management has agreed but the organisation of AGM would be in year 2020.				

Risk Assessment

Risk likelihood assessment

The likelihood is the frequency and how often a certain risk may appear.

Score	Assessment	Agreed meaning
1	Rarely happen	The occurrence of risk is practically impossible
2	Possible	The occurrence of risk is theoretically possible, but there exist few practical cases
3	Likely	The likelihood of risk occurrence is supported by little evidence
4	Very likely	The likelihood of risk occurrence is supported by clear evidence
5	Unavoidable	The risk has already appeared or the occurrence of risk is unavoidable in the future

Risk impact assessment

Impact is the organisation's assets and performance sensitivity to realization of the future events

Score	Assessment	Agreed meaning
1	No significant impact	In case the risk appears, works in process and planned activities are not disturbed
2	Minor impact	In case the risk appears, the activities are disturbed, but this does not involve the need for additional resources[1]
3	Significant but containable	In case the risk appears, the activities are significantly disturbed, but this does not disturb achieving the objectives
4	High impact	In case the risk appears, the activities are significantly disturbed and considerable additional resources are needed for achieving objectives
5	Extremely detrimental	In case the risk appears, it is not possible to achieve determined objectives

1

Assessment of current internal control effectiveness

Internal control is every action instigated from within the organization which is designed to reduce risk impact and/or likelihood. In order to be able to assess the efficiency of internal control measures, the following criteria were used:

Score	Assessment	Agreed meaning
3	Highly effective	Addition/improvement of internal control measures is not necessary at the moment
2	Need to be improved	Internal control measures exist at the moment, but they need to be reviewed and strengthened
1	Inadequate	Internal control measures are missing or immediate improvement of existing internal control measures is necessary

Based on the three ratings (likelihood, impact and effectiveness of controls) a composite risk value (R) is calculated with the formula:
R = I x L / C

Where:

I = Impact

L = Likelihood

C = Effectiveness of Existing Controls

R has no significance as an absolute value; it only serves as an indicator to compare/prioritise risks.

Determination of risk score and risk level

Based on the outcome of this assessment, risks are categorized into one of three risk levels: high, medium or low. Risk level is identified according to the following table:

Risk level	Score	Materiality
Low risk	1-8 points	Issues that need to be reviewed from time to time
Medium risk	9 – 16 points	Issues that need constant monitoring
High risk	17 - 25 points	Issues that need immediate attention