

OVERVIEW OF THE ENTIRE INTERNAL AUDIT PROCESS AND STAFFING REQUIREMENTS FOR EFFECTIVE ENGAGEMENT PLANNING:

Presentation by:

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Presentation agenda



- ☐ Introduction
- ☐ Internal Audit Procedures
- ☐ Staffing Requirements
- ☐ Handling Adhoc Assignments
- ☐ Conclusion



Can you find the Mistake?



1234567890

Internal Auditing?



Internal auditing is an <u>independent</u>, <u>objective</u> <u>assurance</u> and <u>consulting</u> activity designed to <u>add</u> <u>value</u> and <u>improve operations</u> of an organization.

It is a control tool that helps in the accomplishment of the organization's objectives by establishing a systematic, disciplined approach to evaluate and improve the effectiveness of <u>risk management</u>,

control and governance processes.

Institute of Internal Auditors

Functions of Internal Auditing



- ☐ Risk Management
- ☐ Internal Controls
- ☐ Governance Processes
- ☐ Compliance
- ☐ Assurance Services
- Consulting Services
- ☐ Monitoring &

Evaluation



Functions of Internal Audit



- By bringing systematic disciplined approach to evaluate and improve the effectiveness of
- Risk Management,
- Control and
- Governance processes.



Types of Audit Reports



- ☐ Value for money audit
 - Compliance and Assurance reports
- ☐ Financial Statements Audits
- Risk Management report
- ☐ Technical/ Project Reports
- Procurement Process Audits
- ☐ Forensic / Investigations Reports
- ☐ Cyber Security Reports (ICT)
- Legal and Governance Audits
- Business Continuity Management Review



Audit Process





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PLANNING

In the planning phase, the audit staff reviews any past audit work, looks over literature on the area being reviewed, and makes a preliminary review of the unit budgets. actual revenues and expenses.



FIELDWORK

The fieldwork phase is typically the lengthiest part of the audit, the audit staff gathers information about the auditee's operations, gains an understanding of the unit's functions, and identifies both strengths and weaknesses.



FOLLOW-UP

FIELDWORK

REPORTING



Based on timeframes in the action plans, a follow-up is performed to ensure that the required measures have indeed been implemented.



All fieldwork results are compiled, presented and discussed with the client. The client must provide action plans with timeframes that address all recommendations. A final summary report then goes to Senior Management and the Audit Committee for review.

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Internal Audit Procedures



- ☐ Preparing Risk Based Audit Plan
- ☐ Planning & Preparing the Engagement Work

Programme

- ☐ Fieldwork / Performing Audit Engagements
- ☐ Reporting / Communicating Results
- ☐ Monitoring and Follow up Processes

Audit Process



1. Preparing Risk Based Plan

- Internal Auditors must assess the Objectives and the Risks of the specific areas under review and determine whether the internal control activities adequately address the Risks.
- ☐ Risk is measured in terms of likelihood /
 Probability * Impact / Consequence (Loss)
- Organisational Risk are categorised as either Inherent or Residual Risks, consider also mitigation plans put in place by Management and implemented to minimise Risks.



- 2. Engagement Planning IG 2200
- Planning Considerations
- ☐ Engagement Objectives based on Risks identified.
- ☐ Engagement Criterial
- ☐ Engagement Scope
- ☐ Resource Allocation
- ☐ Engagement Work Programme



- 3. Performing the Engagement Field Work IG 2300
- ☐ Engagement Procedures
 - Identifying the Information
- ☐ Audit Evidence
 - Analysis and Evaluation
- ☐ Engagement Findings Drafting findings
 - Documenting Information
 - Engagement Supervision



4. Communicating Results - IG 2400

| Criterial for Communicating |
|---|
| Quality of Communicating |
| Errors and Omissions |
| Use of "Conducted in Conformance with the |
| International Standards for the PPIA". |
| Engagement Disclosure of Non- |
| Conformance |
| Disseminating Results |
| Overall Opinions |

Reporting



- ☐ PFM Regulations Section 162 (2)
- ☐ IIA Standards.



The final report, including the actions taken by the Accounting Officer shall be **Reported** to the Audit Committee in the format determined by the Cabinet Secretary.



- 5. Monitoring Progress IG 2500 (Follow up)
- ☐ CAE must establish a <u>system to monitor</u> the disposition of results communicated to Management.
- CAE Must <u>establish a follow up process</u> to monitor and ensure that management actions have been implemented or that Senior Management <u>have accepted</u> the risk of not taking action.
- ☐ This also includes consulting engagement to the extent agreed upon with the client.



Communicating the Acceptance of Risks – IG 2600

The identification of risks accepted by Management may be observed through an Assurance or Consulting engagement, monitoring progress on actions taken by Management as a result of prior engagements, or other means.

It is not the responsibility of the CAE to <u>resolve</u> the Risk.

STAFF REQUIREMENTS



Staff Requirements – is the process of identifying human capital needs for the Internal Audit Function.

Annual analysis of Audit Departments, <u>knowledge</u> and <u>skills</u> set should be performed to help identify areas of opportunity that can be addressed by **Interventions below.**

- Continuous Professional Development (CPD),
- Recruitment
- Secondment / Sub-contracting (Augmenting)
- Out-sourcing / Co-sourcing.

STAFFING METHODS



The CAE has Direct Staffing Responsibilities. Whichever Staffing method is used, <u>high Standards</u> for Audit Performance should not be <u>Compromised</u>.

- ☐ Staffing
- ☐ Sourcing
- ☐ Recruiting
- ☐ Selection (hiring)
- ☐ Development
- ☐ Retention
- ☐ Deployment of talent resources



STAFF REQUIREMENTS



- ☐ The CAE ensure that Auditors assigned to an audit activity have the requisite ability to proficiently execute an independent, objective assurance or consulting activity.
- The CAE should request assistance or even consider turning down an engagement if the Staff or Skills required for the engagement are not available.
- ☐ When skills are not available inhouse, consider

 Co-sourcing or Out-sourcing. 2030 Resource Management.

AUDIT REPORTS =



- Planned
- ☐ Adhoc (Requests Received)



ADHOC AUDITS



How to handle Adhoc Audit Assignments

Performing unplanned audit assignments relating to governance, risk management and control as appropriate. ☐ The request may come from the Board or Management verbally or in writing. ☐ The assignment is to provide assurance in areas which were not planned for in the annual plan. The CAE makes an assessment, if the audit warrants the Time and Resources required.

Conclusion



- ☐ The Chief Audit Executive is responsible for effectively managing the internal audit activity in accordance with the Internal Audit Charter and the Mandatory elements of International Professional Practises Framework (IPPF).
- ☐ The CAE and Internal Auditors are required to have appropriate professional certifications and qualifications necessary for internal auditing.

Conclusion



Comments, Observations, Discussions.....

QUESTIONS?





Thank You