INTERNAL AUDIT

OPERATING MANUAL

Foreword

The need for an Internal Audit Manual for KNUST is long overdue, various Heads of Internal Audit Units in the Public Universities attempted to put together a unified audit manual to be adopted by all Public University in 2013. Even though the KNUST was supposed to adopt the manual for the Audit Department, the management of the Department believed that there is the need to tailor the document to the specific requirement of KNUST.

Again, I saw that with the promulgation of the Public Financial Management Act 2016, (Act 921), the scope of work for Internal Audit Units had changed, and Audit Report Implementation Committee (ARIC) had also been replaced with Audit Committees (A.C) with specific mention of professional bodies to constitute the membership.

It is with this background that I thought of preparing an audit manual which would incorporate the new specific references from the new Act as well as a manual that can guide staff to conduct basic audit reviews with very little or no supervision.

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 minimize the necessity of referring to other publications for technical and procedural guidance.

My deepest gratitude goes to the University Management for the unflinching support of the Internal Audit Department amidst internal and external challenges.

It is my greatest hope that this audit manual would serve the purpose for which it has been prepared. With this manual, the Internal Audit Staff can conduct their work professionally with no or very little supervision.

Daniel Bart-Plange
Internal Auditor

Contents

1 Introduction

Section 16 (1) of the Internal Audit Agency Act provides that each Ministry, Department and Agency (MDA), shall have an Internal Audit Unit (IAU) which shall constitute a part of the MDA. The responsibilities of the IAU 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).

The IAU of KNUST supports the University as an independent appraisal unit to examine and evaluate the University's financial and operational activities. The Unit also monitors compliance with rules, regulations, systems, policies, and procedures prescribed by the University and other regulatory authorities. The Unit 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.

An internal audit manual is a document of policies and procedures for managing the Audit Department 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 Unit

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

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 the 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, Audit Departments 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 Units in Institutions which goes to complement the Internal Audit Agency Act passed in 2003.

Now the Audit Department is managed professionally and uses the International Standards for the Professional Practice of Internal Auditing 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 Department in the conduct of its audit. The document provides guidance for the planning, execution, reporting and follow-up procedures for the Department.

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 Unit to carry out its responsibilities. The manual also describes the responsibilities of the Internal Audit Unit in communicating audit results, its approach, authority, and strategies to achieve its objectives.

This manual is to be used alongside with other documents, such as, the Internal Audit Charter, Internal Audit Standard Operating Procedures (SOP), the KNUST Risk Register and other such documents. This Manual is intended to provide work instructions and guidance primarily to the staff of the Internal Audit Unit.

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, the Internal Auditor shall prepare a revised draft of the related procedure(s).
- ✓ The revised draft shall be submitted to the Vice Chancellor and the Audit Committee to review the proposed amendment and approve and/or advise the Internal Audit Unit accordingly.

2. Management of the Internal Audit Department

2.1 Introduction

The activities of the Internal Audit Department are conducted in accordance with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing (IIA Standards) and other auditing standards, as may be applicable.

The Internal Audit Agency Act 2006, Act 658 and the Public Financial Management (PFM) Act 2016, Act 921 have stated that all Public Institutions should have and Internal Audit Units. Guidelines for establishing the Units and Reporting and both laws are not in contradiction.

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

2.2 Establishment of Internal Audit Units

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, states that every Public Institution shall have an Internal Audit Unit. For the purposes of this Manual I would be quoting the PFM Act 921 since that is the current Law, but where necessary I would refer to IAA Act 658.

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

2.3 Internal Audit Charter

The Department 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 Department's activities. The Department is authorized to engage in independent audit programmes, risk assessments, advisory services, and investigations, as well as coordinate with external auditors.

The Charter establishes the Department's position within the organization and allows unrestricted access to KNUST records for any matter within the Department's scope of responsibilities. **The KNUST AUDIT CHARTER** has been prepared as a separate document which has to be 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 section (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 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 Audit Unit as follows:

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

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 Unit.

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 IAU'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.

2.5 Reporting (Internal Auditor)

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.

2.6 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 degrees of powers given to the Provosts to Manage the Colleges.

In order to maintain the needed independence, the Internal Audit 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 Office of the Internal Auditor.

To this end, the Internal Audit Department has created Units and assigned various jobs to the Units to manage. By so doing, it is believed the work of the audit would be enhanced and productivity would increase. There would be continuous review of compliance with 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 Audit Department.

2.7 Hierarchy in the Audit Department

The organisational structure of the Department is shown in Fig 1 below. As stated under the 'Administration of the Department', the number and calibre of staff who would work in a Unit /Section would depend on the assignment being managed:

Fig 1: Organisational Sturcture of the Audit Department

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                        │ Internal Auditor │
                        └──────────────────┘
          ┌──────────────────────┴──────────────────────┐
┌──────────────────────┐                      ┌──────────────────────┐
│ Deputy Internal      │                      │ Deputy Internal      │
│ Auditor (Colleges,   │                      │ Auditor (Finance     │
│ & Student Services   │                      │ & Support Services   │
│ Audits)              │                      │ Audits)              │
└──────────────────────┘                      └──────────────────────┘
   ┌──────┬──────┬──────┐                        ┌──────┬──────┬──────┐
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| College Audits | Institute of Distance Learning Audits | Students Affairs Audits | Financial Audit, | Procurement, Stores & Maintenance Audit | Support Services & Self Accounting Audit |
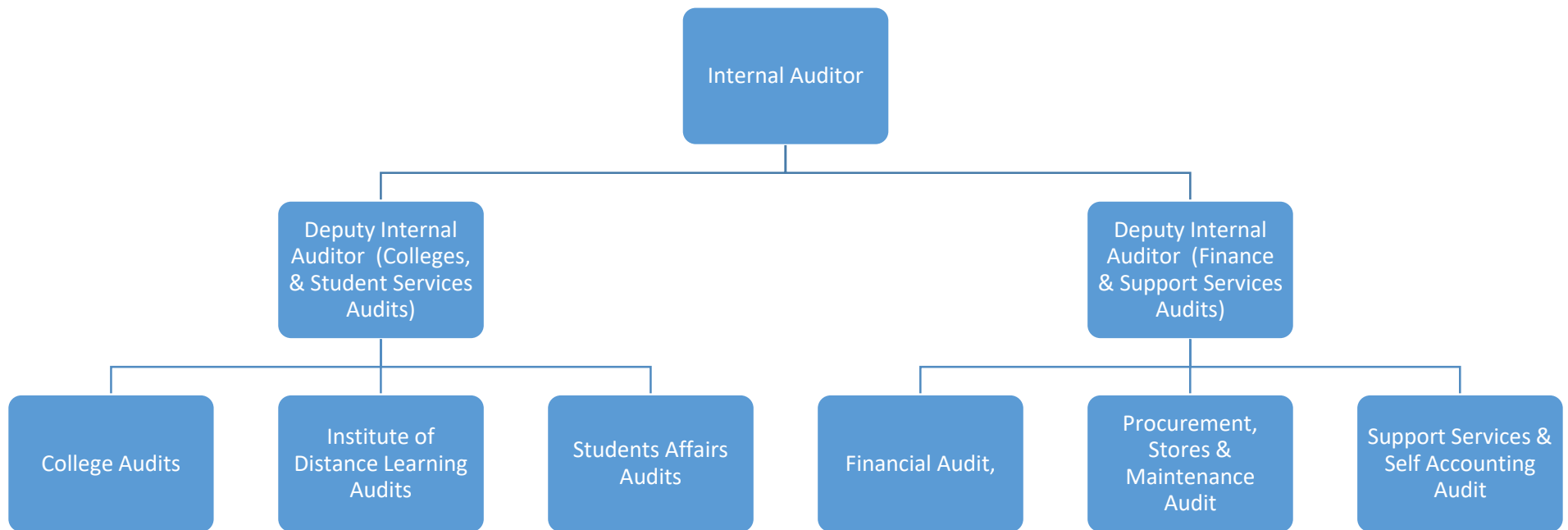
2.8 Audit Units under the Department

An Audit Unit or Section is that small group of people, made up of both Senior Members and Senior Staff who are responsible for 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 Unit than Senior Staff.

The number of staff for each Unit would also depend on the volume of work being handled at the Unit. Staff would be rotated between Units/Sections once every three years to foster bonds and deepen 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) Units have been created to manage all the Audit assignments in the University:

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

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 Unit would be responsible for all the College Audit including all Investment Properties at the Colleges e.g. Engineering Guest House under the College of Engineering, Mentukwa Fruit Processing under the College of Agriculture and Natural Resources, etc,. The review of Donor Funded Projects would also be covered under the College Audit Unit.

The Unit 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 Science
5. College of Humanities and Social Science
6. College Art & Built Environment

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

This Unit 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 Unit.

The Unit 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 Centers around the Country
7. Obuasi Campus (Faculty for Engineering)

(3) Students Affairs Audit

This Unit 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 Unit (QAPU) of the University. The Students' Affairs Audit Unit would therefore be responsible for the following reviews:

1. Acquisition, Storage and Issuance of KNUST Certificates (Registry Academic)
2. Review of Admission Procedures (Registry Academic)
3. Sale and Accountability of Admission forms (Registry Academic)
4. Students Scholarships Audit
5. Students' Association Accounts Audits
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. Wilcardo & GRASAG Hostels
    i. Other Hostel Facilities which the University would get involved in its management.

(4) Financial Audits Unit

This is the Unit 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 Audit Unit 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, to ensure prices of items procured are reasonable and not significantly inflated.

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

1. Market Price Survey
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 Audits Unit

This Unit would be in-charge of all other Units that have not been covered under any of the Units mentioned above. Their work would cover, but not limited to the following:

1. Registry Audits
    a. General Managerial Audits
    b. HR Audits including Management of long leave / vacation of post
    c. Affiliations Office Audits
    d. Management of KNUST ID Cards & Souvenirs,
2. Review implementation of MoUs with financial implication
3. Estate Organisation Audits
    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

2.9 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 IAU should support line management in developing and running the business within 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 Unit 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.

2.10 Code of Ethics and Conduct of Internal Audit Staff

The Internal Audit Unit 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, the Internal Audit Unit shall adhere 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.

2.10.1 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.

2.10.2 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 Departments 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.

2.10.3 Applicability and Enforcement

This Code of Ethics applies to both individuals and the Department 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.

2.10.4 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).

2.10.5 Independence and Objectivity

IIA Standards 1100 require that the Department'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 Department'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 or 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 Department.

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 Department'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 when 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.

2.11 Quality Assurance

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

2.11.1 Quality Assurance and Improvement Programme

The purpose of the Quality Assurance and Improvement Programme (quality assurance) is to provide verification that the work performed by the Department 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 Department's conformance with the IIA Standards should be performed annually. It is expected that this assessment would be done before the Internal Audit Agency (I.A.A) staff visit the University.

To complete the assessment, the Department 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 Department 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 Council.

The IIA Standards also require that an external quality assurance peer review be completed at least once every five years. The Department 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.

2.11.2 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 Department'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.

2.12 Other Administrative Procedures and Forms

Audit Software

The Audit Department 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 Department'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 possess the knowledge, skills, and other competencies needed to perform their individual responsibilities.

3.2 Staff Proficiency

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

Senior Members who will manage the audit staff at all levels in the Department should hold a CIA or Institute of Chartered Accountant (ICA) certificates or Association of Certified Chartered Accountant (ACCA) in addition to a second degree certificate relevant to Auditing & Accounting.

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 enables 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) *Basic Technical Skills:* 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) Professional Skills: knowledge of accountancy and auditing, relevant legislation, ethics of the Institute of Internal Auditors;
c) *Specialist Technical Skills*: these include Information Systems Audit, Procurement Audit, Contract/Project Audits;
d) *Investigatory Skills:* how to conduct a value-for-money audit, special investigations on fraud and corruption;
e) Interpersonal and Communication Skills: interviewing techniques, how to deal with uncooperative clients 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)
- Training organised by other professional bodies (i.e. 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. Staff are advised to pursue certification from Profession Bodies like the Institute of Internal Auditors for Certified Internal Auditor (CIA) or Institute of Chartered Accountant 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 Department 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 Unit

Broadly, the nature of work of the Internal Audit Unit 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 using 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

4.1.1 Establishment of Audit Committee

Section 86 (1) of the Public Financial Management Act 2016, (PFM) 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.

4.1.2 Composition of Audit Committee

Section 87 (1) of the PFM Act states that an Audit Committee shall consists of five 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 a 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:
  - o The Vice - Chancellor
  - o The Internal Auditor
  - o The Finance Officer
  - o The Registrar

4.1.3 Functions of Audit Committee

Section 88 (1) of the PFM Act 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.

4.1.4 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.

4.1.5 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 the 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 testing of financial disclosures and confer with the Finance Officer.

  - o Understand concern for disclosure and transparency and align risk assessment with stakeholder expectations.
  - o 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), the Internal Auditors:

- ✓ Are proactive in advocating for participating 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 taking responsibility for ERM.

Under Monitoring, the Internal Auditors:

- ✓ Understand what monitoring activity is taking place in the University for each of the other component 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 in 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.

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 Unit's Role in Risk Management

The Internal Audit Unit 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 Unit'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 Auditor 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, to maintain the integrity of the organisation's financial records, and to ensure that the organisation is compliant with all applicable laws and regulations. The University has systematic measures in place to consistently monitor the internal controls and the controls need to be updated on a regular basis 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 Unit in Evaluating Internal Controls

The IAU 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 Department 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 plan 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 document 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 implementation of the plan

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 the 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, and/or the Audit Committee.

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, 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 practise, the annual audit plan prepared by the Internal Auditor should receive the approval of the Vice Chancellor and the Audit Committee before the end of December to be used 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 annual 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 including 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; and
- ✓ 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 with the Vice-Chancellor,
- ✓ Submit a revised annual audit plan, along with an explanation for the change, to the 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 Audit Department 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, ie. 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 of 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 Department 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:
- Interviewing appropriate personnel of the University.
- Reviewing Laws and regulations.
- Reviewing procedure manuals or 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 the maiden interaction with the Department or Unit going to be audited and the purpose of an entry conference is to have a communication with all who need to know about the 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
   d. Time lines for possible completion of the audit and the time draft report would be issued
   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 on significant changes that occurred during the year. Key personnel with roles and responsibilities directly related to the audit under review are identified.

During the planning interviews, Internal Audit staff learn about specific programme 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 work papers and filed. Such documentation may take the form of a

narrative description, a flowchart depiction, or a combination of both when appropriate. Combined, these elements assist the Department 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 programme 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 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 determine what risks exist related to the programme 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 Provost.

6.3 Fieldwork

This stage of the process involves executing the procedures described in the scoping 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 **appendix. 3**

6.3.1 Control Testing

A visit to the College /Department would show that Internal Controls exist but they are not effective and in some 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 walk-throughs 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 in 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, analyze, evaluate and document sufficient, reliable, relevant, and useful information to achieve the objectives. This **evidence gathered will be documented in the work papers and used as the basis for the conclusions** 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 characteristic 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 being selected. 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 programme 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 or accidental 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, or a specific type of exception, all negatives, all new users, etc.) Judgmental sample selection is based on the auditor's sound and reasoned 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, serial number, transaction date, etc. 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 finding 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 finalize the report and distribute 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 report publically, 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, **it should be withdrawn and an amended report should be distributed** 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 Department 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 that in performing his work the Internal auditors must identify, analyze, evaluate, and **document sufficient information** 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 **Permanent File** and the **Current File**. 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 major working papers that would be found in all Current Audit Files. They include:

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

7.2 Trial Balance

This is the first document which is usually received from the 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 Programme is a document that **lists the procedures to be followed** during an engagement, designed to achieve the engagement plan. A well prepared audit program 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 in **Appendix 2** as examples.

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, **Number of Students x Approved Fees**. However, there is a 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 Postgraduate 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. Therefore, the work of the Audit Department 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 work paper must demonstrate it is related to the objective. During audit planning, most work 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 work paper, 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 **tests of details** and substantive **analytical reviews:**

Test of Details
Tests 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 clients 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 work 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**, ie. 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 programme or operation. Criteria provide a context for evaluating evidence and understanding the findings.

Example *'The standard practise 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 much 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 programme management.*

Consequence (Effect or Potential Effect): 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 addition staff to the account 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 Statute, 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 from 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 Audit Department may also work with outside agencies to determine if 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 Department 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 Units 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 Unit

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 IAU. The Head of the IAU 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 IAU. 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 IAU 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 IAU, 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 IAU 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 documentation that has been gathered during the course of an audit, consulting engagement, or investigation. Since the Department's plan is to use Team mate all audit files stored on the share drive would be considered as the official record of the Department.

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 Department's share drive, is expected to be backed-up daily by the IT staff assigned to the Audit Department.

Audit files, whether physical or electronic, are retained for **ten (10) years** 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.

Work papers and documents maintained for assurance and consulting engagements are internal documents and are not subject to disclosure to unauthorized 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 work papers or records to other employees and personnel within KNUST or external third parties, including the public.