**NAME OF COVERED ENTITY**

**INTERNAL AUDIT UNIT**

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**ANNUAL AUDIT PLAN 2023**

**AND**

**STRATEGIC AUDIT PLAN 2023-2025**

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# 1.0 INTRODUCTION

Section 83(4) of the PFM Act 2016, (Act 921) provides that, “*the Internal Auditor of a* ***covered entity*** *shall, in consultation with the Principal Spending Officer of the respective* ***covered entity*** *and in accordance with quidelines issued by 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 assemsement including the fiscal risk of that* ***covered entity****”*.

In accordance with the *Standards for the Professional Practice of Internal Auditing*, and in conformity with the *Internal Audit Procedures Manual* and the *Public Financial Management Act, 2016 (Act 921),* the Internal Audit Unit (IAU) of (**covered entity**) has developed its Annual Internal Audit Work Plan for 2023.

This Work Plan is consistent with the goals and objectives of the Internal Audit Unit of of **covered entity**.The Audit Committee and the **PSO** have approved the Annual Audit Plan for 2023 and Strategic Audit Plan for 2023-2025 as submitted by the Internal Audit Unit.

The attached documents reflect activity projections of the Internal Audit Unit as reviewed and approved by the **Covered Entity**’s Audit Committee.

* Appendix 1: Strategic Audit Plan 2023-2025
* Appendix 2: Annual Audit Plan – 2023
* Appendix 3: Calculation of Risk Ratings
* Appendix 4: Annual Budget -2023
* Appendix 5: Training and Capacity Building Plan -2023
* Appendix 6. Per diem, Accommodation and Fuel for field work Budget for 2023
* Appendix 7 Calculation of Man Hours Needed For the Year 2023

# 2.0 RISK BASED ANNUAL AND STRATEGIC AUDIT PLANS

## 2.1 PURPOSE AND OBJECTIVE

The Internal Audit Unit prepares annual and strategic internal audit plans to better undertake its activities and ensure that those areas of highest risks within the **Covered Entity** are audited annually.

This plan in turn assists to ensure that those areas of greatest exposure are audited on an annual basis and assists the Audit Committee in reviewing the activities of the Internal Audit Unit. The plan will help in reduction of risk by Management. It will also ensure compliance in the organization, Further, the annual audit plan will contribute to the risk management framework of the **Covered Entity**.

# 2.2 STRATEGIC PLAN 2023 - 2025

The Strategic Internal Audit Plan is a long-term plan that provides a roadmap for strengthening the Internal Audit Unit and improving service delivery to its stakeholders. The strategy provides the link to organizational objectives and priorities as it is aligned with the strategic plan of the **Covered Entity**. The Plan identifies all the auditable areas proposed to be covered by the IAU during the subsequent year. The Plan also identifies the auditable areas that are not covered in this cycle and the reasons for which there will be no audit activities.

The Strategic Internal Audit Plan of **Covered Entity** is prepared by the Head of the Audit Unit in consultation with the PSO and other key stakeholders and approved by the Audit Committee. In consultation with the PSO, the Head of the Unit annually reviews the Strategic Internal Audit Plan after which it is approved by the Audit Committee. A copy of audit coverage for the 2023-2025 financial years, as shown in the Strategic Internal Audit Plan, is attached as Appendix 1.

The Annual Internal Audit Plan of the Unit is derived from the Strategic Plan and for the year 2023, the Unit has decided to audit all areas where risks are found to be high bearing in mind the Unit’s resource constraint.

## 2.3 DEVELOPMENT OF THE ANNUAL WORK PLAN

The annual audit plan for 2023 incorporates the principles of the Integrated Framework of Internal Controls, as it:

* Focuses on high risk activities, maintaining a three-year audit cycle for the identified areas as in *appendix 3*
* Includes coverage of activities and strategic initiatives which have a significant impact on the **Covered Entity**’s overall mission
* Provides proactive coverage of emerging areas of risk/opportunities like fixed assets financing.
* Provides a comprehensive program of audit coverage of information systems risks at the entity level
* Provides a comprehensive program of audit coverage of regulatory compliance risks, and
* Provides appropriate audit attention to projects and areas which have significant financial impact and risk
* It also incorporates the inputs of Management, the Audit Committee as well as directives of the Internal Audit Agency for the year 2023.

## 2.4 RISK ASSESSMENT

The Internal Audit Unit utilizes the ISO 31000 (2018) risk assessment methodology in selecting areas for inclusion in the annual and the strategic audit plans.

Identified risks are assessed on the basis of 3 different criteria or factors:

* Likelihood
* Impact
* Current Control Effectiveness

### 2.4.1 Risk likelihood assessment

The likelihood is a frequency and how often a certain risk may appear. The probability that the identified risk will crystallize, expressed in quantitative terms.

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

### 2.4.2 Risk impact assessment

This is the effect of the risk should it crystallize, expressed in quantitative terms.

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

### 2.4.3 Determination of Inherent Risk (IR) Score

Inherent Risk is the total risk exposure value measured as the product of the likelihood and impact ratings

of the associated risk. It is the assessed value of the risk in the absence of existing controls.

Understanding of Interent Risk levels associated with objectives or operational areas is what drives audit

focus. Inherent Risk is measured as follows;

**IR = L x I** , *where IR is Inherent Risk, L is Likelihood Rating, I is Impact Rating.*

Based on the outcome of this assessment, risks are categorized into one of five risk levels: *Very high, High, Medium, low or Very Low.* **A rating as a "high risk Unit" does not necessarily mean that the Unit is perceived to have control problems, but rather is a reflection of the likelihood or impact of these risks to the *Covered Entity*’s objectives.**

Based on the Likelihood and Impact ratings, risks are categorized into the following;

|  |  |  |
| --- | --- | --- |
| **Risk level** | **Inherent Risk Score** | **Materiality** |
| Very Low | 1- 3 points | Issues that could be accepted by management but should be constantly monitored |
| Low | 4- 6 points | Issues that need to be reviewed from time to time |
| Medium risk | 7 – 10 points | Issues that need constant monitoring |
| High risk | 11 – 16 points | Issues that need immediate attention |
| Very High risk | 17 -25 points | Issues that could bring the **Covered Entity** to a total shut down |

The Internal Audit Unit has to pay attention foremost to risks that are ranked high.

Other risk factors considered in the Internal Audit Unit’s assessment include:

* Significant system development or process change
* Regulatory compliance issues
* Pending or potential litigation issues
* Organizational change
* Known or perceived control concerns
* Audit history

### 2.4.4 Assessment of current internal control effectiveness

Internal control is every action instigated from within the organization which is designed to reduce risk impact and/or likelihood. It is an expression of the effectiveness of the controls to mitigate the risk. It is measured in quantitative terms.

In order to be able to assess the efficiency of internal control measures, the internal control measures that currently help to mitigate risks are identified.

Effectivess of internal control measures are assessed in collaboration with process owners to help the Unit establish levels of reliance placed on such controls. The following criteria is employed in assessing exhisiting controls:

|  |  |  |
| --- | --- | --- |
| **Score** | **Assessment** | **Agreed meaning** |
| **1** | Ineffective | Internal control measures are missing or immediate improvement of existing internal control measures is necessary. |
| **2** | Reasonable | Internal control measures exist at the moment, but they need to be reviewed and strengthened. |
| **3** | Effective | Addition/improvement of internal control measures is not necessary at the moment and are strong. |

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

Where: I = Impact

L = Likelihood

C = Effectiveness of Existing Controls

**RR** has no significance as an absolute value; it only serves as an indicator to establish the extent of reliance placed on controls put in place by Management to mitigate such risks.

### 2.4.5 Determination of Residual Risk (RR)Score

Using the overall score for each risk, it is possible to identify risk materiality or risk level.

Risk level is identified according to the following table:

|  |  |  |
| --- | --- | --- |
| **Risk level** | **Residual Risk Score** | **Materiality** |
| Very Low | 1- 3 points | Issues that could be accepted by management but should be constantly monitored |
| Low | 4- 6 points | Issues that need to be reviewed from time to time |
| Medium risk | 7 – 10 points | Issues that need constant monitoring |
| High risk | 11 – 16 points | Issues that need immediate attention |
| Very High risk | 17 -25 points | Issues that could bring the **Covered Entity** to a total shut down |

Residual Risk assessment outcomes are useful during reviews of institution’s risk management framework.

## 2.5 AUDIT CYCLES

The Internal Audit Unit of **Covered Entity** strives to provide audit coverage on regular cycles based on its risk assessments:

* ***Very High***, and ***High*** risk areas are planned to receive immediate audit coverage.
* ***Medium*** risk areas are planned to receive audit coverage at least every two years.
* ***Low*** and ***Very Low*** risk areas are planned to receive audit coverage at least every three years.

In addition, liquid assets such as cash will be audited annually.

## 2.6 INFORMATION SYSTEMS AUDIT

The Internal Audit Unit plans to liaise with the Internal Audit Agency for technical support and capacity building in information systems audit in line with Regulation 17 (1) of the IAA Regulations 2011 (L. I. 1994).

## 2.7 EXTERNAL AUDITORS

The Internal Audit Unit will coordinate its audit plan with the external auditors to ensure appropriate coverage is achieved through the internal and external audit plans, and to leverage the collective efforts of both organizations in order to minimize duplication of effort.

The IAU strives to meet the professional standards required by the Internal Audit Agency so that reliance can be placed on the internal audit work.

This, along with the composition of our audit plan, enables the external auditors to utilize a significant amount of internal audit work in completing the annual financial statements audit.

## 2.8 STAFF QUALIFICATIONS

The Internal Audit Unit is committed to maintaining professionally trained staff who collectively hold professional qualifications, have advanced degrees and/or specialized fields of auditing.

Further training is required for the staff to enhance their performance. All staff are encouraged to pursue a professional qualification in Accounting or Auditing.

|  |  |  |
| --- | --- | --- |
| **QUALIFICATION** | **EXISTING STAFF** | **ADDITIONAL STAFF REQUIRED** |
| Masters’ Degree and Professional |  |  |
| Masters’ Degree |  |  |
| Professional with First Degree |  |  |
| First Degree |  |  |
| Professional |  |  |
| HND |  |  |
| RSA/DIP/STENO SEC |  |  |
| SSCE/WASCE/GCE |  |  |
| Total Current Staff Position |  |  |
|  |  |  |
| Total Staff Requirement |  |  |

## 2.9 SERVICE QUALITY

We continue to look for opportunities to communicate results of audit activities more effectively. However, to ensure that audit reports are issued in a timely manner the Internal Audit Unit will wait for **ten (10) working days** to receive the response of Management to the audit queries or observations in line with requirements of Regulation 43 (2) of the IAA Regulations 2011, (L.I 1994).

If Management responses are not forthcoming within this time frame the audit report will be issued regardless and a copy sent to the Director-General of the Internal AuditAgency and other stakeholders.

# 3.0 APPROVAL

**PREPARED BY:**

………………………………………. DATE: ………………………….

**Name**

**(HEAD, INTERNAL AUDIT UNIT)**

**RECOMMENDED BY:**

………………………………………. DATE: …………………………

**Name**

**(CHIEF EXCUTIVE OFFICER)**

**APPROVED BY:**

……………………………………….. DATE: ……………………………

Name

**AUDIT COMMITTEE CHAIRMAN**

# 4.0 APPENDICES

## 4.1 APPENDIX 1: STRATEGIC AUDIT PLAN 2023-2025

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | **2023** | **2024** | **2025** |
| **NO** | **ACTIVITY/ THRUST AREAS** | **RISKS IDENTIFIED** | **IR** |  |  |  |
|  |  |  |  |  |  |  |
|  | Procurement | * Goods supplied not meeting specifications * Goods not fit for purpose | 12 | X | X | X |
|  |  |  | 8 |  | X |  |
|  |  |  | 25 | X | X | X |
|  |  |  | 3 |  |  | X |
|  |  |  | 5 |  |  | X |
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## 4.2 APPENDIX 2: ANNUAL INTERNAL AUDIT PLAN-2023

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **#** | **Auditable Area & Focus** | **Risk Score** | **Risk Level** | **Scope of Work** | **Dates of former Audits** | **Start Date** | **Completion Date** | **Expected Date for Submitting Report to AC and IAA** | **Resources Needed** | **Notes** |
|  | Procurement | 12 | High | Operational | 5th Jan-2019 | 1st Feb- 2023 | Mar-2023 |  |  |  |
|  |  | 25 | Very High |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |
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## 4.3 APPENDIX 3: RISK ASSESSMENT REPORT

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Thrust Area** | **Audit Objective(s)** | **Organizational Objective** | **Risk Name (Description)** | **Risk Owner** | **Risk Causes** | **Likelihood Score** | **Impact Score** | **Inherent Risk Score** | **Control Efficiency Score** | **Residual Risk Score** |
| Procurement |  | To ensure value for money through IAA’s procurement process | * Goods supplied not meeting specifications * Goods not fit for purpose | Head of Procurement | 1. Fraud 2. Weak internal monitoring 3. Wrong specifications | 4 | 3 | 12 | 3 | 4 |
|  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |
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## 4.4 APPENDIX 4: ANNUAL BUDGET

|  |  |  |
| --- | --- | --- |
| **NO** | **ITEM** | **TOTAL** |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  | **SUB-TOTAL** |  |

## 4.5 APPENDIX 5: TRAINING AND CAPACITY BUILDING

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **NO.** | **TRAINING AREA** | **STAFF TO ATTEND** | **TRAINING INSTITUTION** | **REQUIRED RESOURCES** |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |

## 4.6 APPENDIX 6: PER DIEM AND FUEL FOR FIELD WORK

|  |  |  |
| --- | --- | --- |
|  |  |  |
| **Budget Summary** | |  |
| **No.** | **Category** | **Total** |
| 1 | T&T (Fuel) |  |
| 2 | Per Diem |  |
| 3 |  |  |
|  | **GRAND TOTAL** |  |

## 4.7 APPENDIX 7: CALCULATION OF MAN HOURS NEEDED

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **CALCULATION OF MAN HOURS NEEDED TO EXECUTE THE ANNUAL WORK PLAN** | | | | | |
|  | **CALCULATION OF AVAILABLE MAN DAYS** | | | | |
|  |  | **STAFF NO.** | **DAYS PER WEEK** | **NO. OF WEEKS** | **TOTAL MAN DAYS** |
|  | Current man days | 4 | 5 | 52 | 1040 |
|  | Less: Current leave days | 1 | 5 | 6 | 30 |
|  |  | 2 | 5 | 5 | 50 |
|  |  | 1 | 5 | 18 | 90 |
|  | Statutory public holidays and break | 4 | 5 | 2.5 | 50 |
|  |  |  |  |  | (**220)** |
|  |  |  |  |  | **820** |
|  | 15% of undistributed man days |  |  |  | 123 |
|  | **TOTAL AVAILABLE MAN DAYS** |  |  |  | **697** |
|  | **CALCULATION OF MAN DAYS NEEDED** | | | | |
|  | **THRUST AREA** | **NO. OF STAFF** | **NO. OF DAYS** | **DAILY HOURS** | **TOTAL DAYS NEEDED** |
| 1 | Procurement | 2 | 10 |  | 20 |
| 2 |  |  |  |  |  |
| 3 |  |  |  |  |  |
| 4 |  |  |  |  |  |
| 5 |  |  |  |  |  |
| 6 |  |  |  |  |  |
| 7 |  |  |  |  |  |
| 8 |  |  |  |  |  |
| 9 |  |  |  |  |  |
| 10 |  |  |  |  |  |
| 11 |  |  |  |  |  |
| 12 |  |  |  |  |  |
| 13 |  |  |  |  |  |
|  | **TOTAL MAN DAYS NEEDED** |  |  |  |  |
|  | **EXCESS / DEFICIT MAN DAYS** |  |  |  |  |

1. [↑](#footnote-ref-1)