2023 RISK-BASED INTERNAL AUDIT (RBIA) PLANNING TRAINING BY IAA FOR INTERNAL AUDITORS

October 2022

Internal Audit Agency
Integrity + Professionalism

Outline of Training Activities

DAY 1:
THEORETICAL BASIS

1. Introduction to RBIA.
2. Policy and Legal Framework for RBIA Planning.
3. Levels of Planning in RBIA
4. Overview of the Risk Assessment Process.
5. Strategic and Annual Internal Audit Planning.
6. Professional And Regulatory Guidance For Effective Public Sector Internal Auditing

DAY 2:
HANDS-ON SESSIONS

1. Risk Assessment
2. Developing the Strategic Internal Audit Plan.
3. Developing the Annual Risk-Based Internal Audit Plan.
4. Mandatory Thrust Areas for 2023 Internal Audit Work Plan.
5. Next Steps

OBJECTIVES

- To equip participants with the requisite skills and tools to enable Internal Audit Units (IAUs) prepare and submit their Risk-Based Annual Internal Audit (RBIA) Work plans in line with the requirements of Section 83 (6) of the Public Financial Management Act 2016 (Act 921).
- To equip participants with skills and guidance on application of professional and regulatory requirements for effective Public Sector Internal Auditing.
- To expose participants to contemporary practices in RBIA
- To help participants appreciate the current policy of shifting from conventional auditing to RBIA.

EXPECTED OUTCOMES

1. Timely submission of Risk-Based Annual Internal Audit Work plans that meet IAA standards.
2. Risk-Focused Internal Audit Activity in Covered Entities.
3. Enhanced Value of Public Sector Internal Audit.

DELIVERABLES

1. Risk-Based Audit Planning Tools
2. Risk-Based Internal Audit Manual
3. Relevant PFM Laws & IPPF for Internal Auditing
4. Post Training Implementation Action Plan.
5. Training Certificates.

MODULE ONE

INTRODUCTION TO RISK-BASED INTERNAL AUDITING

Introduction to RBIA

- The PFM Act, 2016 (Act 921) mandates IAUs of Covered Entities to ensure that their audits are guided by RBIA Annual Work Plans.
- RBIA is an audit methodology that links internal auditing to an institution's overall risk management framework.
- RBIA focuses on the organization's response to the risks it is exposed to in delivering on its mandate. (i.e., risk of occurrences that could impact the organization from achieving its goals)
- The use of RBIA allows IAUs to assure the Governing Boards & Senior Management that the institution's ERM Processes are effective.
- Under RBIA, the IAU focuses its limited resources on areas with **high risk & high probability of weak controls.**

Legal Framework for RBIA Planning

- Sec. 83 (6) of the PFM Act, 2016 (Act 921) requires the Internal Auditor of a covered entity to, within 30 days after the beginning of the financial year, submit an annual audit work plan to the Principal Spending Officer (PSO) and the Audit Committee of that covered entity as well as the Internal Audit Agency (IAA).

- Section 83(4) of the Act also requires the Annual Work Plan to be Risk-Based .
- The plan is expected to be prepared in consultation with the PSO and in accordance with Guidelines issued by the IAA.

Policy Framework for RBIA Planning

- Standard 2010 on Planning states, *"The Chief Audit Executive (CAE) should establish risk-based plans to determine the priorities of the audit activity, consistent with the* institution's *goals."*

Interpretation

- To develop the risk-based plan, the CAE consults with senior management and the board and obtains an understanding of the institution's strategies, key business objectives, associated risks, and risk management processes.
- The CAE must review and adjust the plan, as necessary, in response to changes in the institution's business, risks, operations, programs, systems, and controls.

Levels of RBIA Planning

There are 3 main levels of planning within the RBIA approach: **Strategic, Annual** and **Engagement Plans**.

Strategic Plan

1. The strategic internal audit plan is critical in performing RBIA.
2. The strategic plan should be consistent with the risks that may prevent the institution from achieving its set goals/ objectives.

Annual Audit Plan

1. The annual audit plan is extracted from the strategic audit plan.
2. Based on the strategic plan, areas in scope for the year are selected for review and documented as the Annual Plan.

Engagement Plan

This involves planning in relation to specific auditable units or subject areas. It is important that planning is performed for each audit engagement.

Approach for Risk-Based Annual Audit Planning

- There are **4 main stages** in Risk-Based Annual Audit Planning

Understand organisational Mandate. → Conduct Risk Assessment → Prepare Strategic Plan → Prepare Annual Plan

Risk-Based Internal Audit Planning

Understand organisational Mandate.

Understand organisational Mandate. → Perform risk assessment → Develop strategic plan → Develop annual plan

Understand organizational Mandate

- Understand the mandate and mission of the entity.
- Evaluate the major plans, programs and activities for the related year.
- Understand the short to medium term strategic objectives and vision of the entity.
- Scrutinize accompanying budget to understand key expenditure focus.
- Understand the organisational structure in areas such as reporting lines, operational processes, support processes, and in-house/outsourced functions.

MODULE TWO

RISK ASSESSMENT FOR INTERNAL AUDIT PLANNING

Perform risk assessment

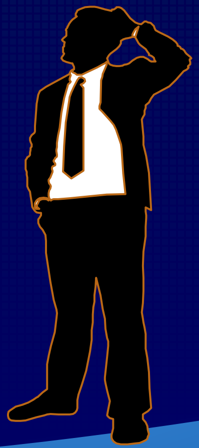
Risk-Based Internal Audit Planning

Understand organisational objectives → Perform risk assessment → Develop strategic plan → Develop annual plan

Perform Risk Assessment:

What is risk?

?



Risk-Based Internal Audit Planning

Perform risk assessment

Understand organisational objectives → Perform risk assessment → Develop strategic plan → Develop annual plan

What is risk?

- Risk is defined by the IIA's International Standards for the Professional Practice of Internal Auditing as:
  - ***'The uncertainty of an event occurring that could have an impact on the achievement of organizational objectives/mandate'***
- ISO 31000 defines risk as:
  - ***The effect of uncertainty on objectives***

Risk-Based Internal Audit Planning

Perform risk assessment

Understand organisational objectives → **Perform risk assessment** → Develop strategic plan → Develop annual plan

What Is Risk Management(RM)?

- RM is defined by the ISO as ***"coordinated activities to direct and control an organization with regard to risk".***
- RM refers to a coordinated set of activities and methods that is used to direct an organization and to control the many risks that can affect its ability to achieve objectives.
- It Involves identifying events or circumstances relevant to the organization's objectives or mandate.

Risk-Based Internal Audit Planning

Perform risk assessment

Understand organisational objectives → Perform risk assessment → Develop strategic plan → Develop annual plan

Risk Management Process

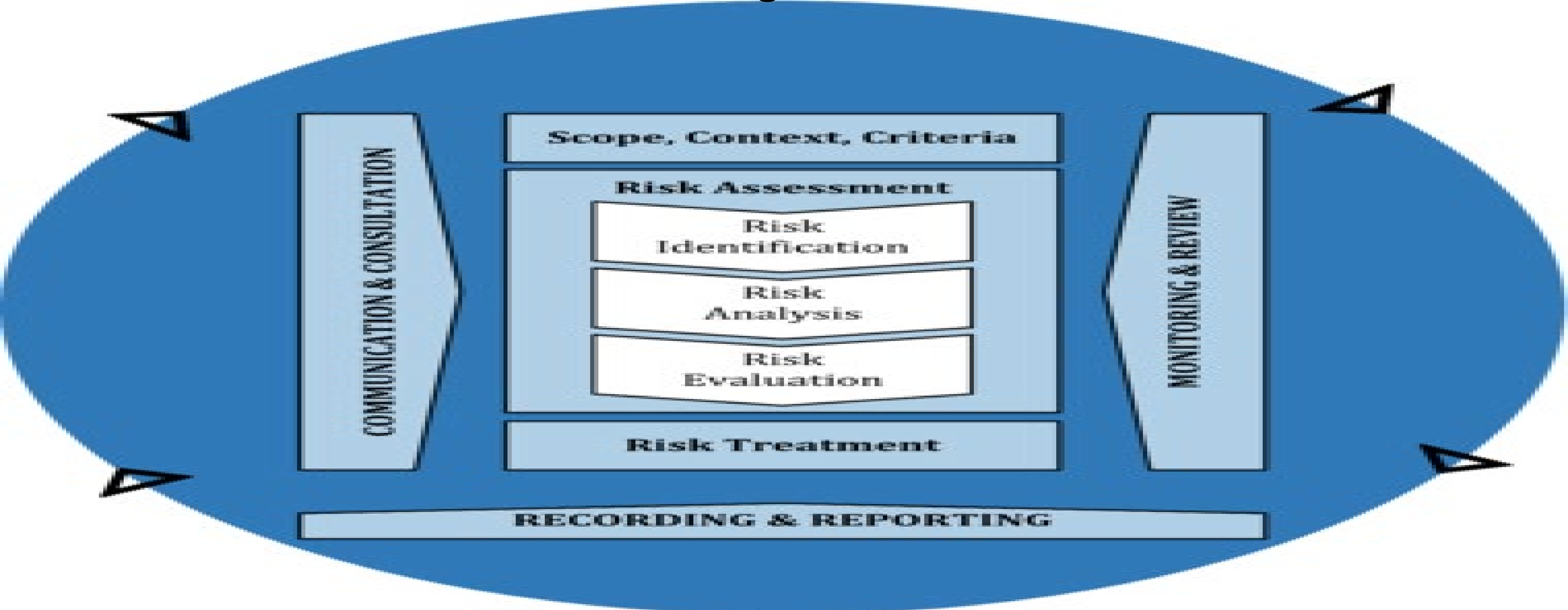
According to ISO 31000, a RM *process* is one that systematically applies management policies, procedures, and practices to a set of activities intended to establish the context, identify, analyze, evaluate, treat, record and report, communicate and consult with stakeholders, and monitor & review risks.

Risk-Based Internal Audit Planning

Perform risk assessment

Understand organisational mandate. → Perform risk assessment → Develop strategic plan → Develop annual plan

The Risk Management Process



Risk-Based Internal Audit Planning

Perform risk assessment

Understand organisational objectives → Perform risk assessment → Develop strategic plan → Develop annual plan

The Risk Management Process

STEP 1: Establish the Context

To ***establish the context*** means to define the external and internal parameters that organizations must consider when they manage risk.

- ✓ Defining goals and objectives of the organization through Strategic and Operational Plans.
- ✓ Analyzing Strengths, Weaknesses, Opportunities and Threats (SWOT).

Risk-Based Internal Audit Planning

Perform risk assessment

Understand organisational objectives → Perform risk assessment → Develop strategic plan → Develop annual plan

The RM Process

STEP 2: Risk Assessment

- *The Risk Assessment Process involves Identifying, Analyzing and Evaluating the Risks that are pertinent to achievement of an institution's objectives.*
- The objective of the annual risk assessment process is to enable internal audit to focus its activities for the impending year on the aspects of the covered entity's activities that pose the highest risk to the ability to achieve its objectives.
- The IAU is responsible for allocating resources to the higher risk areas.

Risk-Based Internal Audit Planning

Perform risk assessment

Understand organisational objectives → Perform risk assessment → Develop strategic plan → Develop annual plan

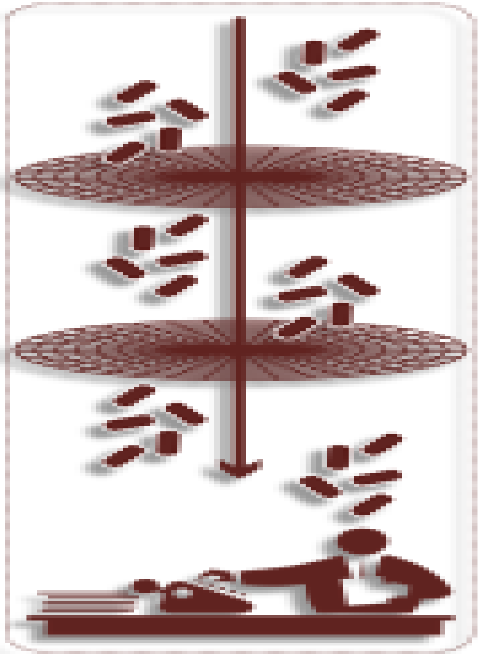
The RM Process

Inherent Risk

Control Risk

Detection Risk

Audit Risk



Is there a risk at all?

Yes

Caught by controls?

No

Caught by our audit?

No

Objectives not achieved

Risk-Based Internal Audit Planning

Perform risk assessment

Understand organisational objectives → Perform risk assessment → Develop strategic plan → Develop annual plan

The RM Process

Risk Identification

- *Risk identification is a process that involves finding, recognizing, and describing the risks that could affect the achievement of an organization's objectives. It is used to identify possible sources of risk in addition to the events and circumstances that could affect the achievement of objectives. It also includes the identification of possible causes and potential consequences.*
- Historical data, theoretical analysis, informed opinions, expert advice, and stakeholder input can be used to identify the organization's risks.

Risk-Based Internal Audit Planning

Perform risk assessment

Understand organisational objectives → Perform risk assessment → Develop strategic plan → Develop annual plan

The RM Process

Risk Identification

Risk identification answers the questions:

- What could happen? (the event)
- What could prevent the organization from reaching its objectives?
- How could it happen? (the cause)
- Why would it happen?
- Are there opportunities or consequences that should be considered?

Risk-Based Internal Audit Planning

Perform risk assessment

Understand organisational objectives → Perform risk assessment → Develop strategic plan → Develop annual plan

The RM Process

Risk Analysis

Risk analysis is a process that is used to understand the nature, sources, and causes of the risks that you have identified and to estimate the level of risk.

Risk-Based Internal Audit Planning

Understand organisational objectives → Perform risk assessment → Develop strategic plan → Develop annual plan

The Risk Management Process

Risk Analysis

Risk Analysis is also used to study **likelihood** and **impacts** and to examine the controls that currently exist. How detailed your risk analysis ought to be will depend upon the risk, the purpose of the analysis, the information you have, and the resources available.

- ✓ Consider the likelihood (possibility) of the risk occurring.
- ✓ Consider the consequence should the risk occur.
- ✓ Consider existing controls

Risk-Based Internal Audit Planning

Perform risk assessment

Understand organisational objectives → Perform risk assessment → Develop strategic plan → Develop annual plan

The Risk Management Process

Risk Analysis

RISK LIKELIHOOD RATING GUIDE		
RATING	**LIKELIHOOD (%CHANCE)**	**DESCRIPTION**
1	Rare (20)	There is an extremely remote possibility that the risk will ever occur. Practically impossible.
2	Unlikely (40)	It is possible that the risk will occur but there are no known precedent or very few cases in remote time past.
3	Possible (60)	The risk has occurred before in a few isolated cases and is conceivable that it can occur again. Few recorded cases
4	Likely (80)	The risk has occurred a couple of times before and is reasonably expected to occur in future. Clear evidence exists
5	Almost Certain (99)	The risk has occurred several times in the past and is a usual (expected) feature. Unavoidable in the future.

Risk-Based Internal Audit Planning

Perform risk assessment

Understand organisational objectives → Perform risk assessment → Develop strategic plan → Develop annual plan

The Risk Management Process

Risk Analysis

RISK IMPACT RATING GUIDE		
RATING	**IMPACT**	**DESCRIPTION**
1	Low/ Insignificant	The impact of the risk is **insignificant and negligible** to the related strategic objective(s). WIP & planned activities not affected.
2	Minor	The impact of the risk is likely to have a **very low impact** on the related strategic objective(s). No need for additional resources.
3	Moderate	The impact of the risk will have a **limited effect** on achievement of the related strategic objective(s), though activities are affected.
4	Major	The impact of the risk can have a **major effect** on the achievement of the related strategic objective(s) and additional resources are needed.
5	Catastrophic	The impact of the risk **can prevent achievement of the related strategic objective(s) and cause irrecoverable losses to the covered entity**

Risk-Based Internal Audit Planning

Perform risk assessment

Understand organisational objectives → **Perform risk assessment** → Develop strategic plan → Develop annual plan

The Risk Management Process

Risk Evaluation

- *Risk Evaluation is the process of comparing an estimated risk against given risk criteria to determine the significance of the risk.*

- Purpose is to decide how to respond to a particular risk

Risk-Based Internal Audit Planning

Understand organisational objectives → Perform risk assessment → Develop strategic plan → Develop annual plan

The Risk Management Process

Risk Evaluation

- For an example of ranked risks, consider tolerance for the level of risk in relation to the existing controls that are in place
  - ✓ What level of risk is the organization willing to accept?
  - ✓ Are the risks appropriate with the opportunities created?
  - ✓ Should the organization accept the risk or take action?
  - ✓ Which risks are the most important to treat?
- Consult with internal and external stakeholders to ensure interdependencies are considered

Risk-Based Internal Audit Planning

Perform risk assessment

Understand organisational objectives → Perform risk assessment → Develop strategic plan → Develop annual plan

The Risk Management Process

Risk Evaluation

RISK EVALUATION MATRIX - ISO 31000 (2018)					
IMPACT	LIKELIHOOD				
	1 - RARE	2 - UNLIKELY	3 - POSSIBLE	4 - LIKELY	5 - UNAVOIDABLE
1 - INSIGNIFICANT	1	2	3	4	5
2 - MINOR	2	4	6	8	10
3 - MODERATE	3	6	9	12	15
4 - MAJOR	4	8	12	16	20
5 - CATASTROPHIC	5	10	15	20	25

Risk-Based Internal Audit Planning

Perform risk assessment

Understand organisational objectives → Perform risk assessment → Develop strategic plan → Develop annual plan

The Risk Management Process

Risk Evaluation *(Continued)*

RISK DESCRIPTION MATRIX - ISO 31000 (2018)					
IMPACT	LIKELIHOOD				
	1 - RARE	2 - UNLIKELY	3 - POSSIBLE	4 - LIKELY	5 - UNAVOIDABLE
1 - INSIGNIFICANT	VERY LOW	VERY LOW	VERY LOW	LOW	LOW
2 - MINOR	VERY LOW	LOW	LOW	MEDIUM	MEDIUM
3 - MODERATE	VERY LOW	LOW	MEDIUM	HIGH	HIGH
4 - MAJOR	LOW	MEDIUM	HIGH	HIGH	VERY HIGH
5 - CATASTROPHIC	LOW	MEDIUM	HIGH	VERY HIGH	VERY HIGH

Risk-Based Internal Audit Planning

Perform risk assessment

Understand organisational objectives → Perform risk assessment → Develop strategic plan → Develop annual plan

The Risk Management Process

Risk Evaluation *(Continued)*

SCORE	ASSESSMENT	AGREED MEANING
1 to 3	Very Low	Mostly acceptable level of risk; No control intervention required'
4 to 6	Low	Within acceptable level of risk; Low level of control intervention required, if any.
7 to 10	Medium	Unacceptable level of risk, except under unique circumstances; Moderate level of control intervention is required to achieve an acceptable level of residual risk.
11 to 16	High	Unacceptable level of risk Significant level of control intervention is required to achieve an acceptable level of residual risk.
17 to 25	Very High	Unacceptable level of risk; High level of control intervention is required to achieve acceptable level of residual risk.

Risk-Based Internal Audit Planning

Perform risk assessment

Understand organisational objectives → Perform risk assessment → Develop strategic plan → Develop annual plan

The Risk Management Process

Risk Evaluation *(Control Effectiveness Rating)*

SCORE	ASSESSMENT	AGREED MEANIONG
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.

Risk-Based Internal Audit Planning

Perform risk assessment

Understand organisational objectives → Perform risk assessment → Develop strategic plan → Develop annual plan

The Risk Management Process

Risk Evaluation (Risk Register)

COVERED ENTITY											
RISK REGISTER											
RISK APPETITE = 6											
STRATEGIC OBJECTIVE	ACTIVITIES	FUNCTIONAL AREA	RISKS THAT THREATEN ACHIEVEMENT OF OBJECTIVES	ROOT CAUSE	LIKELIHOOD RATING	IMPACT RATING	INHERENT RISK EXPOSURE RATING	EXISTING CONTROLS	CONTROL EFFECTIVENESS	CONTROL EFFECTIVENESS RATING)	RESIDUAL RISK EXPOSURE RATING
To ensure improved financial performance and sustainability	Revenue Management	Accounts	compliance risk	inadequate training	4	4	16	accounting manuals,relevant laws and regulations	Reasonable	2	8.0
	Revenue Management	Accounts	theft and misappropriation	poor supervison,control overrides and poor security	5	5	25	accounting manuals,relevant laws and regulations	Effective	3	8.3
To provide reliable and timely finacial information	Reporting	Accounts	errors and misstatements	inadequate training,inexperience,excesive workload	3	4	12	accounting manuals,relevant laws and regulations	Effective	3	4.0
	Reporting	Accounts	compliance risk	inadequate training,inexperience,excesive workload	3	5	15	accounting manuals,relevant laws and regulations	Effective	3	5.0
To secure financial assets of the Entity	Reporting	Accounts	theft and misappropriation	poor supervison,control overrides and poor security	5	5	25	Safe, supervison, internal audit	Effective	3	8.3

Risk-Based Internal Audit Planning

Perform Risk Assessment

Which is preferable, and why?

- When preparing the Audit Plan, auditable areas should be prioritised based on:
  - Inherent risk ratings
  - Residual risk ratings

INHERENT RISK EXPOSURE RATING	EXISTING CONTROLS	CONTROL EFFECTIVENESS	CONTROL EFFECTIVENESS RATING)	RESIDUAL RISK EXPOSURE RATING
16	accounting manuals,relevant laws and regulations	Reasonable	2	**8.0**
25	accounting manuals,relevant laws and regulations	effective	3	**8.3**
12	accounting manuals,relevant laws and regulations	effective	3	**4.0**
15	accounting manuals,relevant laws and regulations	effective	3	**5.0**
25	Safe, supervison, internal audit	effective	3	**8.3**

Risk-Based Internal Audit Planning

Which is preferable, and why?

DEPARTMENT OF PUBLIC DEVELOPMENT											
RISK REGISTER											
RISK APPETITE = 6											
STRATEGIC OBJECTIVE	ACTIVITIES	FUNCTIONAL AREA	RISKS THAT THREATENS ACHIEVEMENT OF OBJECTIVES	ROOT CAUSE	LIKELIHOOD RATING	IMPACT RATING	INHERENT RISK EXPOSURE RATING	EXISTING CONTROLS	CONTROL EFFECTIVENESS	CONTROL EFFECTIVENESS RATING)	RESIDUAL RISK EXPOSURE RATING
to ensure improved financial performance and sustainability	revenue management	Accounts	compliance risk	inadequate training	4	4	16	accounting manuals,relevant laws and regulations	Reasonable	2	8.0
	revenue management	Accounts	theft and misappropriation	poor supervision,control overrides and poor security	5	5	25	accounting manuals,relevant laws and regulations	effective	3	8.3
to provide reliable and timely finacial information	reporting	Accounts	errors and misstatements	inadequate training,inexperience,excesive workload	3	4	12	accounting manuals,relevant laws and regulations	effective	3	4.0
	reporting	Accounts	compliance risk	inadequate training,inexperience,excesive workload	3	5	15	accounting manuals,relevant laws and regulations	effective	3	5.0
to secure financial assets of the department	reporting	Accounts	theft and misappropriation	poor supervision,control overrides and poor security	5	5	25	Safe, supervision, internal audit	effective	3	8.3

Risk-Based Internal Audit Planning

Strategic Audit Plan

Understand organisational objectives → Perform risk assessment → Develop strategic plan → Develop annual plan

The Strategic Audit Plan

- Strategic planning is key to the RBIA processes. It may include areas such as:
  - ✓ Results of environmental scan conducted in respect of the IAU
  - ✓ Mission and Vision of the IAU
  - ✓ Strategic goals and objectives of the IAU
  - ✓ Critical Success Factors for the IAU
  - ✓ Overview of management's expectations
  - ✓ Resourcing plan for the IAU

Risk-Based Internal Audit Planning

Strategic Audit Plan

Understand organisational objectives → Perform risk assessment → Develop strategic plan → Develop annual plan

Developing the Strategic Plan

Guide to Linking the Risk Level to Frequency of Audit

Risk Level	Risk Rating	Materiality	Frequency Of Audit
Very Low	1- 3	Issues that could be accepted by management but should be constantly monitored	Once in the Strategic Plan Period
Low	4- 6	Issues that need to be reviewed from time to time	About twice in the plan period
Medium risk	7 – 10	Issues that need constant monitoring	Every year and about twice reviewed in the year
High risk	11 – 16	Issues that need immediate attention	Every year in plan period and every quarter
Very High risk	17 -25	Issues that could affect the operational existence of the organization	Every year in plan period and every quarter or higher frequency in a year

Risk-Based Internal Audit Planning

Strategic Audit Plan

Understand organisational objectives → Perform risk assessment → Develop strategic plan → Develop annual plan

Developing the Strategic Plan

Risk-Based Internal Audit Planning

Annual Audit Plan

Approach for developing the annual audit plan

	HIGH	MEDIUM	LOW
Auditable Area 1	Year 1 ✓	Year 1	Year 1
Auditable Area 2	Year 2 ✓	Year 2 ✓	Year 2
Auditable Area 3	Year 3 ✓	Year 3	Year 3 ✓

Risk-Based Internal Audit Planning

Strategic Audit Plan

Understand organisational objectives → Perform risk assessment → Develop strategic plan → Develop annual plan

Developing the Strategic Plan

Structure of the Plan:

The Strategic Audit Plan should include:

a) Introduction

b) **Purpose**: The purpose of the plan

c) **Risk –Based Internal Audit approach:** The Risk-Based Internal Auditing approach

d) **Strategic plan:** The following should be included

- ✓ **Functional Area under review:** Name of auditable area. Standard acronyms may be used.
- ✓ **Risk name:** For risk-based assignments, there should be a clear linkage between the assignment proposed and the risks outlined in the audited entity's risk register. The risk name should appropriately capture the risk.
- ✓ **Focus area:** The focus area of the assignment should be specified.
- ✓ **Risk rating:** The risk rating of the focus area of the assignment should be specified, based on the latest risk register.
- ✓ **The year in which the audit is proposed:** - Head of the IAU should determine in which year the audit will be conducted. Assignments relating to high inherent risk areas should be given priority to moderate or lower inherent risk areas.

Risk-Based Internal Audit Planning

Strategic Audit Plan

Understand organisational objectives → Perform risk assessment → Develop strategic plan → Develop annual plan

Developing the Strategic Plan

Structure of the Plan:

RISK-BASED STRATEGIC INTERNAL AUDIT PLAN TEMPLATE

				2023	2024	2025
NO	**ACTIVITY/ THRUST AREA**	**RISKS IDENTIFIED**	**IR**			
1						
2						
3						
4						
5						
6						
7						

Developing the Strategic Plan

Review and Approval of the Strategic IA Plan

- The strategic IA Plan should be prepared by the Head of the IAU in consultation with the PSO and key stakeholders.
- The Plan should be submitted to the AC for review and approval.
- The plan is to be reviewed annually.
- Any revision in the Plan must be approved by the AC in consultation with the PSO.

Understand organisational objectives → Perform risk assessment → Develop strategic plan → Develop annual plan

The Strategic Internal Audit Plan

- The Strategic Plan must include all auditable areas
- The auditable areas should be prioritised based on the ff:
  - ✓ Relative weight of the inherent risks for each auditable area
  - ✓ When an area was last audited
  - ✓ Staff strength of the IAU and competency of IAU
  - ✓ Discussions with key stakeholders e.g. management
- The Strategic Plan should be maintained and reviewed annually

Risk-Based Internal Audit Planning

Annual Audit Planning

Understand organisational objectives → Perform risk assessment → Develop strategic plan → Develop annual plan

Developing the Annual RBIA Work Plan

- *"The Internal Auditor of a covered entity shall, in consultation with the Principal Spending Officer of the respective covered entity 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 that covered entity."* Section 83-4 of the PFM Act, 2016,(Act 921).
- The Annual Internal Audit Plan is developed based on the Strategic Plan.

Developing the Annual RBIA Work Plan

- Auditable areas should be selected based on their relative risk ratings
- This approach helps the auditor to focus on the entity's key risks and fulfil the requirements of Act 921.
- The Annual Plan may also contain additional assurance and consulting engagements not in the Strategic Audit Plan (e.g. request from Management, AC, IAA etc.).
- The RBIA Annual Work Plan contains activities to be performed by the IAU (including the list of audits) within the financial year.
- The Plan is primarily a subset of the Strategic IA Plan.

Risk-Based Internal Audit Planning

Annual Audit Planning

Understand organisational objectives → Perform risk assessment → Develop strategic plan → Develop annual plan

Developing the Annual RBIA Work Plan

- Activities to be reviewed within the financial year are selected as the thrust areas of the IAU for the year.
- The Plan is based on risk assessment & available man hours
- It includes the start and completion dates for the audits as well as the estimated budget.
- It is Prepared by the Head of the IAU in consultation with the PSO and approved by the Audit Committee.
- The Plan is submitted to the PSO, AC & IAA (For monitoring and quality assurance).

Risk-Based Internal Audit Planning

Strategic Audit Plan

Understand organisational objectives → Perform risk assessment → Develop strategic plan → Develop annual plan

Developing the Annual RBIA Work Plan

As stipulated under section 83 of the PFM Act, 2016 (Act 921) the following areas should be reviewed and reported on annually:

1. Budget planning and implementation and compliance with national goals and objectives;
2. Development initiatives of the covered entity;
3. Procurement of goods and services and works;
4. Value for money on public expenditure;
5. Follow-ups on the agreed audit recommendations and required corrective actions;
6. Systems of government revenue collections for proper accountability;
7. Proper, timely and effective use of Government financial information systems.

Risk-Based Internal Audit Planning

Strategic Audit Plan

Understand organisational objectives → Perform risk assessment → Develop strategic plan → Develop annual plan

Developing the Annual RBIA Work Plan

RISK-BASED ANNUAL INTERNAL AUDIT PLAN TEMPLATE										
#	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
1										
2										
3										
4										
5										
6										

2023 Annual Work Plan – Additional Thrust Areas

The DG has directed that the 2023 RBIA Plans should include the following thrust areas:

1. Follow-up implementation of recommendations in the 2021 Auditor-General's report and Management Letters.
2. Compliance with the Public Office Holders (Declaration of Assets and Disqualification) Act 1998, (Act 550) .
3. Compliance with the Data Protection Act, 2012 (Act 843)
4. Compliance with the Right to Information Act, 2019 (Act 989)
5. Development and Implementation of an Enterprise Risk Management(ERM) Policy
6. ESPV Payroll and Human Resource Audit
7. Performance Audit of activities within the mandate of your Covered Entity in accordance with your Establishment Law or Instrument.
8. Audit of outstanding's, borrowings, loans, advances and recoverable indebtedness status of Covered Entities.
9. Corporate Governance and Management Audit.
10. Compliance with Expenditure Rationalization and Revenue Enhancement Measures.
11. Auditing Assets and Properties to ensure appropriate titling and documentation of ownership.

Internal Audit Agency
Integrity + Professionalism

Other Considerations

- The Plan is due for receipt at the IAA on or before 30th January 2022.
- Heads or IAUs are to update their Strategic Plans and prepare the Annual Plans.
- The Generic Areas provided by the IAA should form an integral part of your plans in addition to additional areas established through the Risk Assessment process.
- The Plans should be finalized early enough for the AC to review and approve for submission before the statutory deadline.

MODULE THREE

PROFESSIONAL AND REGULATORY GUIDANCE FOR EFFECTIVE

PUBLIC SECTOR INTERNAL AUDITING

Code of Ethics

Exhibition of professionalism and competence

Section 18 of the Internal Audit Agency Act, 2003 (Act 658) – provides that:

Internal auditors operating by virtue of this Act,

a) shall 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;

b) shall perform internal auditing in accordance with Generally Accepted Principles of Internal Auditing and the standard and guidelines of the Agency as established under section 3(1); and

c) shall 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.

Code of Ethics

Integrity: Section 19 of Act 658

Internal auditors to whom this Act applies shall

a) perform their work with honesty and diligence;

b) not knowingly be a party to any illegal activities or engage in acts that discredit the work of internal auditing or the MDA or MMDA;

c) make disclosures required by law and the standards and procedures as established under section 3(1);

d) not participate in any activity or relationship that may impair or is likely to be taken to impair unbiased assessment, including an activity or a relationship that may be in conflict with the interests of the MDA or MMDA;

e) not accept anything or any favour that may impair or might be taken to affect their professional judgment; and

f) disclose all material facts known to them, the non-disclosure of which may distort any reporting activity.

Code of Ethics

Confidentiality: Section 20 of Act 658

- Internal auditors 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.
- Internal auditors shall be prudent in the use and protection of information acquired in the course of their duties.
- Internal auditors shall not use information for any personal gain or in any manner that would be contrary to this Act or detrimental to the legitimate and ethical objectives of the Agency, MDAs and MMDAs.

Code of Ethics

In addition, the IPPF provides that internal audit practitioners abide by the following:

- Integrity.
- Objectivity.
- Professional Competence and Due Care.
- Confidentiality.
- Professional Behavior.

Code of Ethics

The Seven Principles of Public Life (Nolan Principles)

The Seven Principles of Public Life outline the ethical standards those working in the public sector are expected to adhere to. They were first set out by Lord Nolan in 1995 in the first report of the Committee on Standards in Public Life.

1) Selflessness
2) Integrity
3) Objectivity
4) Accountability
5) Openness
6) Honesty
7) Leadership

Good Work Ethics

Traits of good work ethics essential for success include:

- Appearance,
- Attendance,
- Attitude,
- Character,
- Communication,
- Punctuality
- Focus
- Dedication
- Professionalism
- Cooperation,
- Organizational skills,
- Productivity,
- Respect,
- Teamwork
- A Desire to Improve
- Initiative

Offences and Penalties

Section 25 *of Act 658*

1) Any person who

a) Gives the Director-General any information or explanation which the person knows to be false or which the person has no reason to believe to be true contrary to section 14 (2) *(a)*;

b) Fails to produce for inspection by the Director-General or otherwise fails to give the Director-General access to any book, record or office when requested by the Director-General contrary to section 14 (2) *(b)*;

c) Willfully suppresses any information or explanation required by the Director-General; or

d) Obstructs the Director-General in any way in the performance of functions under this Act;

Offences and Penalties

Section 25 *of Act 658*

1) Any person who

   e. Provides information which the person knows to be false or which the person has no reason to believe to be true to an internal auditor, commits an offence and is liable on summary conviction to a fine not less than 1,000 penalty units or to imprisonment for a term not exceeding 5 years or to both.

2) Any internal auditor who acts in breach of any of the provisions of sections 18, 19 or 20 shall be subject to such action as the Board shall recommend including criminal prosecution.

4) For the purposes of subsection (1), the Director-General includes any officer acting under the instructions of the Director-General.

Offences and Penalties

Section 96 of Act 921

Section 96.

(1) A person, acting in an office or employment connected with the procurement or control of Government stores, or the collection, management or disbursement of amounts in respect of a public fund or a public trust who:

(a) makes an unauthorized commitment resulting in a financial obligation for the Government,

(b) fails to collect moneys due to the Government,

(c) is responsible for any improper payment of public funds or payment of money that is not duly verified in line with existing procedures,

(d) is responsible for any deficiency in or for the loss, damage or destruction of any public funds, stamp, security, stores or any other Government property,

Offences and Penalties

Section 96 of Act 921

Section 96.

(1) A person, acting in an office or employment connected with the procurement or control of Government stores, or the collection, management or disbursement of amounts in respect of a public fund or a public trust who:

(e) accepts or receives money or valuable consideration for the performance of an official duty

(f) in relation to the duties of that person, willfully makes or signs a false certificate, false return or false entry in a book, or

(g) fails to report knowledge or information in respect of fraud committed by a person against the Government, contrary to any enactment related to public financial management, to the appropriate authority or law enforcement authority, commits an offence and is liable on summary conviction to a term of imprisonment of not less than six months and not more than five years or to a fine of not less than one hundred penalty units and not more than two thousand, five hundred penalty units or to both.

Offences and Penalties

Section 96 of Act 921

Section 96.

(2) A person, acting in an office or employment connected with the procurement or control of Government stores, or the collection, management or disbursement of amounts in respect of a public fund or a public trust who authorizes an expenditure exceeding the approved appropriation in the relevant budget commits an offence and is liable on summary conviction to a term of imprisonment of not less than six months and not more than twelve months or to a fine of not more than the value of the assessed impact of the commitment or to both.

Offences and Penalties

Section 96 of Act 921

Section 96.

(3) A person who promises, offers or gives money or any other valuable consideration to another person, acting in an office or employment,

(a) connected with the procurement or control of government stores,

(b) connected with the collection, management or disbursement of amounts in respect of a public fund or a public trust, or

(c) with the intent to influence

(i) a decision or action on any question or matter that is pending or is likely to be brought before the person in an official capacity, or

(ii) a person to commit fraud against the Government or to connive with, take part in or allow an opportunity for the commission of the fraud commits an offence, and is liable on summary conviction to a fine of not more than three times the amount offered or accepted or a term of imprisonment of not less than six months and not more than two years or to both.

Surcharge

Section 97 of Act 921

Surcharge

Section 97.

(1) Where the Minister, after due inquiry, is satisfied that

(a) a loss or deficit in public funds that has been advanced to or is under the control of a public officer, or

(b) a loss or damage to public property under the care of a public officer,

is occasioned as a result of the negligence or misconduct of that public officer, or the negligence or misconduct of that public officer contributed to the loss or deficit in public funds or loss or damage to public property, the amount of the loss or deficit or value of the property lost or damaged or the cost of replacing or repairing the damage to the property becomes a debt due to the Government and shall be recovered through an administrative procedure or through a court action.

Surcharge

Section 97 of Act 921

SURCHARGE

Section 97.

(2) Where the negligence or misconduct of the public officer only contributed to the loss or deficit in public funds or loss or damage to public property, the amount recoverable from the public officer under subsection (1) may be restricted to an amount that the Minister, after due inquiry, considers just and equitable having regard to the contribution the public officer made to the loss, deficit or damage.

(3) For purposes of this section, a "public officer" includes a person who has previously occupied a public office.

Penalty for Contravention of the PFM Act

Section 98.

(1) A person who,

(a) refuses or fails to produce or submit any information required under this Act,

(b) issues a local purchase order outside the Ghana Integrated Financial Management Information System or any other electronic platform in use by Government,

(c) misuses or permits the misuse of any Government property which results in a loss of public resources,

(d) contravenes or knowingly permits another person to contravene a provision of this Act or the Regulations, or

(e) instigates another person to contravene a provision of this Act or the Regulations,

commits an offence and where no penalty is provided for the offence, is liable on summary conviction to a fine of not less than one hundred and fifty penalty units and not more than two hundred and fifty penalty units or to a term of imprisonment of not less than six months and not more than two years or to both.

Penalty for Contravention of the PFM Act

Section 98.

(2) A person who contravenes subsection (1) is, in addition to the penalty specified in that subsection,

(a) liable for any liability contracted on behalf of Government as a result of the contravention; and

(b) subject to disciplinary action by Government including dismissal, demotion or suspension.

Reference Materials

- IAA RBIA Manual
- PFM Act, 2016 (Act 921)
- PFM Regulations, 2019 (L.I. 2378)
- Internal Audit Agency Act, 2003 (Act 658)
- Internal Audit Regulations, 2011 (L.I. 1994)
- International Professional Practices Framework

QUESTIONS
&
DISCUSSIONS

THANK YOU