



INTERNAL AUDIT OPERATING MANUAL

Forward

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 draft manual was produced, it was never adopted by KNUST since it was a generic one and not tailored to our specific requirement. Again, the manual was produced at a time that Audit Report Implementation Committee (ARIC) were in existence. Currently, with the promulgation of the Public Financial Management Act 2016, (Act 921), the work of the Internal Audit Units has been enhanced and Audit Committees have come to replace the ARICs.

It is with this background that I thought of preparing a manual that can guide staff to conduct basic audit reviews with very little or no supervision and be able to provide a professional advice to improve the University's operations.

The KNUST Internal Audit Manual is an official publication of the University which prescribes auditing policies and procedures as well as furnishes guidance in auditing techniques for personnel engaged in the performance of the 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 Vice-Chancellor, Professor Kwasi Obiri-Danso, for his unflinching support for the growth of the Internal Audit Department amidst internal and external challenges faced by Internal Audit Unit. His personal involvement to see to it that internal audit takes its proper place in the administration of the University was overwhelming. If the Internal Audit Department has gained some recognition, and its reports are widely accepted in the University, then it is the work of the Vice-Chancellor who the Department would always be grateful to.

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

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Internal Auditor

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1 Introduction

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 (the Department) in the conduct of its audit. The document provides guidance for the planning, execution, reporting and follow-up procedures for the Department.

1.1 Governance

The University is a Public Institution and therefore governed by Acts and Statutes of the University. The **Council** is the oversight body and the Vice Chancellor of the University is responsible to the Council. The Council has the following Principal Officers:

- ✓ The Chancellor
- ✓ Chairman of Council
- ✓ Vice-Chancellor

1.2 Audit Committee

Section 86 (1) of the Public Financial Management Act 2016, (PFM) Act 921 entreat all Public Institutions to establish a five (5) member Audit Committee. The composition of which must be two (2) **Council Members** and three (3) independent members from among the Institute of Chartered Accountants (Ghana) and the Internal Audit Agency. The Chairperson of the Audit Committee shall be elected from among the independent members of the Committee.

In attendance are the following:

- ✓ The Vice - Chancellor
- ✓ The Internal Auditor
- ✓ The Finance Officer
- ✓ The Registrar

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

1.3 Functions of the Audit Committee

The Audit Committee shall ensure that the Vice Chancellor,

- i. 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
- ii. prepares an annual statement showing the status of implementation of any recommendation contained in
 - an internal audit report;
 - Parliament's decision on the Auditor-General's report;
 - Auditor-General's Management letter;
 - the report on financial matters raised in an internal monitoring unit of the University; and any other related directive of Parliament.
- iii. Prepare an annual statement indicating
 - 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 the University;
 - indicate the period for the completion of the remedial action;

1.4 Reporting

1.4.1 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.

1.4.2 Audit Committee

Section 88 2(c) of the PFM Act recommends that the Audit Committee prepares an Annual Statement, 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

2. ADMINISTRATION OF THE AUDIT DEPARTMENT

2.1 Introduction

For the purposes of managing the Internal Audit Department, we would refer to the Public Financial Management Act 2016, (PFM Act 921) and the International Standards for the Professional Practice of Internal Auditing

2.2 The Internal Auditor

Section 83 (2) of the PFM Act state that the head of the Internal Audit Unit shall report administratively to the Vice Chancellor and functionally to the Audit Committee of the University. However, it is prudent to ensure that protocols has been observed during the reporting.

2.3 Work of the Internal Auditor

Section 83 (3) of the PFM Act outlined the work of the Internal Auditor to include but not limited to:

- I. appraise and report on the soundness and application of the system of controls operating in the covered entity;
- II. evaluate the effectiveness of the risk management and governance process of a covered entity and contribute to the improvement of that risk management and governance process;
- III. provide assurance on the efficiency, effectiveness and economy in the administration of the programmes and operations of a covered entity; and
- IV. evaluate compliance of a covered entity with enactments, policies, standards, systems and procedures.

Details of the work of the Internal Auditor can be found in the PFM Act 921.

2.4 Departmental Management Strategy

The University operates on a Collegiate System, having Six (6) Colleges and One (1) Institute for Distance Education. In other words the University has as much as possible decentralised its management activities to the College level and reasonable amount of powers given to the Provost to Manage the Colleges.

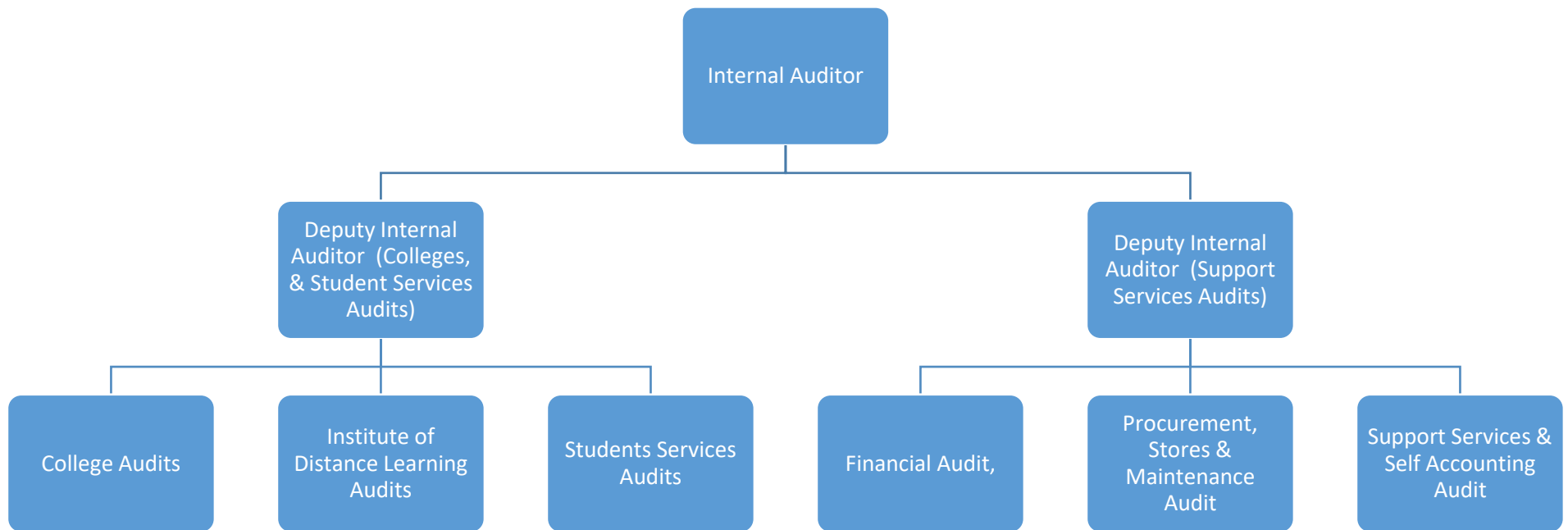
In order to maintain the needed independence, the Internal Audit would still operate the Centrallised system. Even though we would have presence at the Colleges, it is to bring advisory and other services to the door steps of the Colleges. The staff stationed at the Colleges would report administratively 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 believe the work of the audit would be enhanced and productivity would increase. There would be continuous review of compliance of policies and procedures at the Colleges and a lot of areas would be covered and reported on within the year. Again, we believe this will bring efficiency and effectiveness in the Audit Department.

2.5 Hierarchy in the Audit Department

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

Organisational Sturcture of the Audit Department



2.6 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 to a cluster of audit assignments in the University. Depending on the technicality of the assignment, more of the Senior Members would be allocated to the Unit than Senior Staff.

The number of staff for each Units 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 deepening of knowledge among member staff.

Considering the growth of the University on campus and the expansion of the IDL activities outside campus, the following six (6) 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 procedure.

(1) College Audit

The Unit would be responsible for all the College Audit including all Investment Properties at the Colleges eg. Engineering Guest House under the College of Engineering, Mentukwa Fruit Processing under the College of Agriculture and Natural Resources, etc,. The review of Donor Fund 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 exclude 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 Admissions 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 which have not be covered under any of the Unit 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

3. STAFF PROFICIENCY AND DEVELOPMENT

3.1 Introduction

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

3.2 Staff Proficiency

Qualification to work at the Internal Audit 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) Management and Organisational Skills: how to conduct an audit from planning to reporting stage, how to lead an audit team; and
- g) Knowledge of an Organisation: 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 (ie 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 would be useful only when specialised audit such as 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 a staff is developing him or herself he /she must develop 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).

4. POLICIES & PROCEDURES

4.1 Introduction

The objective of the Internal Audit Department is to provide independent and objective assurance, consulting, and investigation services designed to add value, improve operations and help the Kwame Nkrumah University of Science and Technology (KNUST) accomplish its objectives.

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.

4.2 Objective and Scope of Internal Audit Services

The scope of work is carefully chosen to assist the KNUST Management and the Audit Committee to fulfill its oversight responsibilities by evaluating whether risk management, control, governance processes and information systems are appropriately designed and operating effectively.

4.3 Conformance with IIA Auditing Standards

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.

4.4 Authority

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 programs, risk assessments, advisory services, and investigations, as well as to 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.

4.5 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 fulfill its responsibilities. In the case of KNUST, the head of the entity is the Vice Chancellor and the Internal Auditor reports to him 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.

4.6 Conformance with IIA Code of Ethics

The Department adheres to the Institute of Internal Auditors (IIA) code of ethics and other approved Policies of the University, which applies to all KNUST Audit employees. Internal auditors are expected to uphold the following principles:

A. Integrity

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

- i. Shall perform their work with honesty, diligence, and responsibility.
- ii. Shall observe the law and make disclosures expected by the law and the profession.
- iii. Shall not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organization.
- iv. Shall respect and contribute to the legitimate and ethical objectives of the organization.

B. 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 others in forming judgments. The following are some of the guidelines:

- 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 organization.
- 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.

C. 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. The following may apply:

- i. Shall be prudent in the use and protection of information acquired in the course of their duties.
- ii. Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organization.

D. Competency

Internal auditors apply the knowledge, skills, and experience needed in the performance of internal audit services. The following may apply:

- i. Shall engage only in those services for which they have the necessary knowledge, skills, and experience.
- ii. Shall perform internal audit services in accordance with the International Standards for the Professional Practice of Internal Auditing.
- iii. Shall continually improve their proficiency and the effectiveness and quality of their services.

5. TYPES OF ENGAGEMENTS

5.1 Introduction

*Internal Auditing is defined 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*

In order to provide comprehensive services and comply with auditing standards, the Department provides the following services:

5.2 Assurance and Audit Services

An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the University. Engagement examples include financial audit, performance audit, compliance audit, I.T System Security audit, and due diligence engagements.

5.3 Consulting and Advisory Services

The nature and scope of consulting and advisory services are agreed with the client. These services are intended to add value and improve an organization's governance, risk management, and control processes without the Internal Audit staff assuming management responsibility. Common consulting services include advice on improvement on incomes generation at Production Areas, Review details of MoUs signed between KNUST and outsiders and make appropriate recommendations to the benefit of the University. Provide External Audit Services at a very reasonable fee to Affiliate Institutions and Joint Ventures in the University.

Specific consulting services could be provided to the Colleges where Internal Audit Department would review and advise College Management on the Administrative Efficiency at the College Level. This is a special exercise where the parameters, say number of days to process a PV for payment, are agreed with the College Provost. The Audit Staff review such parameter and advise the Provost of level of compliance.

5.4 Follow-Up Reviews

A review of selected prior audits and/or specific recommendations made by internal and external auditors to determine the extent to which action plans as agreed to by management were implemented.

5.5 Investigations

Independent evaluations of allegations related to fraud, waste, abuse, or other wrongdoing and improper activities that may involve misuse or misappropriation of University resources.

6. RISK-BASED INTERNAL AUDITING AND ANNUAL STRATEGIC WORK PLAN

6.1 Introduction

Risk based internal auditing (RBIA) is the methodology which provides assurance that risks are being managed within the organisation's risk appetite.

The IIA Standards requires the Audit Department to establish a risk-based approach to determine the priorities for Department's activities. The Internal Auditor prepares an annual Audit Plan which include Risk Assessment to help identify, measure, and prioritize potential audits based on the level of risk to the KNUST. The Risk Assessment results, with input from KNUST's Leadership Team (management) and the Audit Committee, is utilized in preparing the annual Audit Plan. 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 annual audit planning process includes the following major audit planning activities:

- Defining the Audit Universe
- Conducting a Risk Assessment
- Preparing and Presenting the Annual Strategic Work Plan

6.2 Defining the Audit Universe

The first step in preparing the Annual Strategic Work Plan and Risk Assessment is to define the Audit Universe. The Audit Universe is a listing of all Department and Units on Campus, and the potential risks associated with those business activities. The management of the University set up a committee to work on the Risk Register and therefore the Department has made reference to the register for the Audit Universe.

6.3 Conducting the Risk Assessment

Usually the Department should perform the following activities to garner risk information:

- Interviews with the following, Vice Chancellors, Provost, Deans and Directors and Head of Units and other key areas where risk can be identified;
- Arrange meetings at convenient time for staff to communicate a risk idea to the Department;
- Other observations (as garnered from participation in other staff meetings, audits or consulting engagements, investigations);

- Professional organizations (risks identified within audit or higher educational Institutes);
- Through observation of activities and daily occurrences on campus
- Other research and analysis as relevant.

For the purposes of KNUST Audits, risk assessment has been conducted by a special committee set up by the Vice Chancellor to compile the Risk Register. Various risks has been identified and factors has been assigned to all identified risk in the register. However, if you want to go through the processes of allocating risk factors refer to **appendix 1** for the Risk Assessment matrix

6.4 Preparing the Annual Strategic Work Plan

The Annual Plan also referred to as the Annual Strategic Work Plan is to be prepared by the Internal Auditor considering the high risk activities identified in the Risk Assessment, input from management regarding risk concerns, and the Department's required activities outlined in the Charter.

The Plan is designed to cover high risk activities, while limiting the scope of work to what can realistically be accomplished during the fiscal year considering the limited audit resources available.

6.5 Presenting the Annual Strategic Work Plan

The final draft of the plan is discussed with the Vice Chancellor and the final Plan is presented to the Audit Committee for review and approved 30 days before the beginning of the year in which the work plan becomes operational. After Audit Committee's approval, the Plan is put into use.

In addition to the Plan, the Internal Auditor also presents a report on the accomplishments achieved by the Department throughout the year. This report is basically the submission of the key performance indicators which includes the following:

- Audit Assignment completed
- Staff training executed and
- Number of staff who have achieved certifications

7. AUDIT PROCESS

7.1 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*

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

The relevant systems, records, personnel, and physical properties should be considered when planning the scope of the project. The detailed planning document should identify key risks, controls and related procedures and provide background information relating to the auditable area or activity.

The planning process culminates in the creation of an Audit Program, 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.

Background information is also used in the reporting phase, to provide the reader perspective for the program or operation under review.

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

We inform the Department or Unit of the Internal Auditors' presence at the Unit and based on their time schedule we fix a date to have a discussion with the Head. This might include asking whether they have any specific issue they would want the Department review for them.

Planning Interviews

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

During planning interviews, Internal Audit staff learns about specific program details and processes, IT systems in use, the existence of internal policies, procedures, or other practices, the extent to which staff is trained and supervised. Relevant process owners should provide a detailed explanation of the business process. This process will be documented in the 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 program under review. Choice of template is at the auditor's discretion however, the Risk Background-General template may also be used to complete a document review, if pertinent and applicable.
- ✓ Risk Interviews IT: This template is used when conducting a risk-related interview specific to Information Technology systems and/or databases used within the scope of the project objectives.

Internal Audit staff should maintain awareness of fraud, waste, and abuse during the interview process. It is appropriate to ask fraud-related questions during the interviews. The interviewee should be left alone, without 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 involve 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 program under review, including the potential for fraud, waste, and/or abuse.

Risk Assessment Matrix

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

End of Planning Summary

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

- ✓ what is resolved during the entrance conference and
- ✓ the types of issues identified during planning,

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

7.3 Fieldwork

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

For the automated processes, it is considered appropriate and sufficient to perform a single walk-through as results should not differ without human intervention. However, in situations where the process is manual and subject to human intervention, additional testing is required.

The samples for testing control activities should be independently selected. Where possible, the population of items to be considered for testing should be obtained from a source that is independent of the area audited.

Sampling

The sample size should be determined as the lesser of 10% of the population or 30 items, or based on a statistical sampling model when appropriate. In selecting the sample, the following sampling approaches may be used:

- Simple Random Sampling – A sampling method where all items have an equal chance of being selected. The sample should be selected without intentional bias to include or exclude certain items in the population. A random number generator may be used to select the sample.
- Stratified Random Sampling – A method of sampling that involves the division of a population into smaller groups based on shared attributes or characteristics. A random sample from each group is taken in a number proportional to the group's size when compared to the population. These sample subsets are then pooled to form a random sample.
- Judgment Selection – A sampling method that is based on professional judgment. The following considerations may be used to determine items to be selected:
- Value of items. *Items that represent larger values or more significant transactions are selected. (Recommended for KNUST)*
- Relative risk. Items prone to error due to their nature or complexity are 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.

The basis for selecting items for testing should be documented in the work paper files.

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.

Document Reviews

There is the temptation to make a photocopy off all documents that you review during the audit. This is not necessary, when the document has peculiar references, for example, invoice number, P.V number, any serial number, the transaction date. Quote these number 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.

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 inherent to the control environment.

The potential issues identified should be discussed with 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 longer 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.

7.4 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 determines whether the report needs to be amended. Feedback includes management's responses to findings and recommendation. Internal Audit staff then finalizes the report and distributes the document to the Vice-Chancellor and management staff responsible for the activity under examination.

During the next quarterly audit committee meeting, the final report is distributed to the Audit Committee, and after acceptance, the final report is submitted to the Internal Audit Agency.

Before releasing an internal 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.

7.5 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**

7.6 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 any on 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**

8. PERFORMING THE ENGAGEMENT (AUDITING)

8.1 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 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 Program
- Analysis and evaluation of Working Papers

8.2 Trial Balance

This is the first document which is usually received from 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.

8.3 Audit Programme

Engagement Work Program 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 at **Appendix 2** as example.

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

- ✓ Review of Revenue
- ✓ Review of Procurement

Review of Revenue

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

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

Review of Procurement

Procurement in the University is guided by the Public Procurement Act 2003, Act 663. 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.

8.4 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 detailed 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”.

Procedures: 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. It is not possible to perform procedures utilizing a source that is not listed in the work paper.

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.

8.5 Elements of a Finding

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 able to answer four question, which are classified as element of findings as follows:

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

For example 'the standard practise in accounting is to record all transaction into the ledger within 24 hours'

Condition: Condition is a situation that exists. Eg. *'The Accountant uses between 3 days and 2 week to record his/her transaction into the ledger'*. The condition is determined and documented during the engagement.

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. For example, *'the volume of work is too much'*

Common factors include poorly designed policies, procedures, or criteria; inconsistent, incomplete, or incorrect implementation; or factors beyond the control of program management.

Auditors must assess whether the evidence obtained is a convincing argument for the condition (breach) which has occurred.

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).

The effect or potential effect identifies the outcomes or consequences of the condition. When the objectives include identifying the actual or potential consequences of a condition that varies (either positively or negatively) from the criteria identified in the audit, "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.

8.6 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.

8.7 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 than audit reports and each report will be uniquely different as determined by the specifics of the investigation.

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

- ✓ Background,
- ✓ Executive summary,

- ✓ Scope,
- ✓ Approach,
- ✓ Findings,
- ✓ Summary,
- ✓ Impact and
- ✓ Recommendations.

These audits are conducted to identify existing control weaknesses, assist in determining the amount of loss and recommend corrective measures to prevent additional losses. The 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.

8.8 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) ie. ensuring that the amount written on the P.V agrees with the underlying records. Second, is **Verification** ie. 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**.

9. QUALITY ASSURANCE

9.1 Introduction

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

9.2 Quality Assurance and Improvement Program

The purpose of the Quality Assurance and Improvement Program (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's 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 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.

9.3 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.

10. OTHER ADMINISTRATIVE PROCEDURES AND FORMS

10.1 Introduction

The purpose of this section is to provide information regarding the Internal Audit Department's level of use of ICT, working papers and administrative duties regarding records maintenance and retention.

10.2 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.

10.3 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 years subsequent to the date of 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.

Acknowledgement

1. The Coast Community College District (CCCD)
2. Institute of Internal Auditors (IIA)
3. Committee of Internal Auditors, Universities in Ghana
4. Public Financial Management Act, 2016 Act 921
5. Internal Audit Agency Act 2003, Act 658

Appendices

Appendix 1 – Risk Assessment

Risk likelihood assessment

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

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

Risk impact assessment

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

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

Assessment of current internal control effectiveness

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

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

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

Where:

I = Impact

L = Likelihood

C = Effectiveness of Existing Controls

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

Determination of risk score and risk level

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

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

Appendix 2 - Standard Audit Programmes

Control Objective	Audit Procedure	Performed by:	Ref #
Test Completeness of Fee Income	<p>Obtain the authentic information on students numbers from the Students Information System (SIS)</p> <p>a) Classify the student numbers according to</p> <ul style="list-style-type: none"> - Foreign and local students - Post-graduate and undergraduate students - Classify by courses <p>b) Apply the approved fees to the appropriate information of students' numbers. (<u>Number of Students x Approved Fees.</u>)</p> <p><u>Amount obtained is supposed to be the Fee income receivable for the year.</u></p> <p>c) Test the following:</p> <ul style="list-style-type: none"> - Compare the amount expected with the amount paid, the difference is likely to be <u>fee debtors for the year</u> - <i>Note: In determining the <u>fee debtors for the year</u> ensure that the amount paid relates to only current year's fees. If you are determining <u>total debtors</u>, then you can consider <u>all payments</u> irrespective of the period the debt was incurred.</i> - Compare the Expected Amount with the Budgeted Revenue and derive <u>the under/over budget</u> for the audit report 		
Testing of Other Incomes	<p>You can use any of the following principles:</p> <ul style="list-style-type: none"> ✓ Quantity X price ✓ Open Finished Goods + Production–Close Finished Goods ✓ Compilation of invoices <u>not receipts</u> 		
Test Validity of Fee Debtors	Obtain the list Fee Debtors from the SIS		

	<p>a) Ensure that the total figure on the schedule (list) agrees the general ledger balance.</p> <p>b) Stratify debtors into faculties and make a representative selection from each group and test them. Ensure that <u>you cover all the year 4 debtors</u></p> <p>✓ Go through each selected bill and confirm the amount billed for the year for correctness</p> <p>✓ Confirm payments made, check the amount and mode of payments (J.V passed or cash paid). <u>If it's a J.V ensure that the underlying records are true and well approved.</u></p> <p>✓ Give your comment on the balances:</p> <ol style="list-style-type: none"> a. Long overdue b. Billing the student when course has been deferred c. Check application of 'Grace Period' policy d. etc 		
Test Validity of Expenditure	<p>Obtain the information on expenses first from the PANACEA. Stratify and test the high value items:</p> <ol style="list-style-type: none"> a. For each item you select, check whether there are supporting documents to that expenditure. b. Check the ledger balance against its budget. (if any) c. Comment on the highest expenditure d. Comment on unnecessary high expenditure 		
Test Validity of Special Advance	<p>Obtain the list of all staff who have been given special advances (<i>Source - Special Advance Register, electronic or manual</i>)</p> <ol style="list-style-type: none"> a. Review the dates of the advance and check whether they were retired within the stipulated time b. Examine supporting documents used to retire the advances and ensure that the monies were used for the purpose for which it was obtained 		

	<ul style="list-style-type: none"> c. Check whether the amount on the supporting documents is fair. Check the excessive use of honour certificates for retirement and comment d. Check entries passed to ensure Special Advance is treated first as receivables and then as Expenditure. e. Check cash balances (if any) have been paid into chest. 		
Prompt Banking	<p>Where cash is received at the office, prompt banking test is required.</p> <ul style="list-style-type: none"> a. Sum up all receipt issued within a period say, one week. b. Compare the total amount with the total P.I.S for the same period c. Compare whether the amount collected agrees with the amount banked d. If there are differences, look for the dates where <u>'Amount collected is more than Amount banked'</u> e. Check whether there has been an abuse of funds and specify the date where the abuse occurred. f. Note that : <ul style="list-style-type: none"> e. monies to be deposited can be split between two bank accounts f. monies collected on weekends would be banked on the next working day. 		
Review of Bank Reconciliation Statement	<p>Obtain the list of bank accounts from the PANACEA</p> <ul style="list-style-type: none"> ✓ Request from the Accountant copies of the bank reconciliation statement prepare for each month ✓ Check whether it was prepared within the period stipulated in the accounting manual ✓ Check whether the statements is correct, noting the treatment of unpresented and uncredited cheques. Check the reversal of dud cheques etc. ✓ <u>Under no circumstance should cash deposit be seen as part of the reconciling items</u> ✓ Check the Preparer and Approval of BRS 		

Review of Fuel Consumed	<p>We are working under the policy of <u>all official vehicles buy fuel from the Union Oil</u> using a coupon</p> <ul style="list-style-type: none"> ✓ Obtain the duplicate fuel coupon from the College Transport officer or the Unit Head and compile the fuel purchases ✓ Check whether all vehicles belong to the College / or the Department. <u>Private cars being fuelled by coupon should be flagged for detailed testing.</u> ✓ Check the high / lowest consumed vehicles and mention in the report. ✓ The HOD should give the reasons for the high consumption of fuel, possibly the activity level has increased. ✓ Obtain from the driver's vehicle log books to ensure a senior officer monitor their movement 		
Test of Staff Numbers in the University	<p>This test is supposed to give assurance that there are no 'ghost names' on payroll of the University.</p> <ul style="list-style-type: none"> ✓ Confirm from the Unit Head / College Registrar whether he /she has any list on the staff he has at the Department / College ✓ Confirm whether the number of staff at the Department / College agrees with what is on the Payroll and make the necessary Comment ✓ Ensure that the staff exist and works at the Unit/College being audited. 		
Casuals & National Service Personnel	<p>This test is to ensure that the casual staff and the service personnel do not stay on the job for ever in that position</p> <ul style="list-style-type: none"> ✓ Obtain the list of payment of wages and salaries from the PANACEA ✓ Confirm whether the monies were paid to staff who still work at the Department or College ✓ Confirm their status i.e. casuals by examining their letters of renewal, or in extreme case, do verification of staff ✓ If they are national service personnel, they are not to stay on for more than one (1) year. They have to 		

	vacate the office for new people to be trained. Make the necessary comments in your audit report		
Review of Petty Cash / Imprest Book	<p>This test is done under the assumption of Imprest books being reviewed before replenishment</p> <ul style="list-style-type: none"> ✓ Check whether the person given the imprest is a Head of Department (Policy Manual) ✓ Check whether the items purchased with imprest are the once prescribed in the accounting manual, e.g. payment for fuel, general transport expenses, and other routine petty office expenditure ✓ Check that the items purchased are not for domestic purposes but are used in the office. ✓ Check expenditure to ensure no single payment exceed 20% of the gross imprest ✓ Highlight in your report the major expenditure lines of imprest ✓ Check the reasonability of the purchases. 		
Test the validity and Existence of Assets	<p>Obtain all the newly acquired assets from the PANACEA.</p> <ul style="list-style-type: none"> ✓ Check to ensure the assets have been recorded in the assets register (<i>if the register is different from what has been documented in the PANACEA</i>). ✓ Check the existence by physically verifying the assets ✓ Check whether the assets have been uniquely labelled/numbered ✓ Ownership of the assets should have been checked at the pre-audit stage. ✓ Check the reasonability of the value of the item. <p>If some asset selected from the register cannot be found physically, ie boarded off,</p> <ul style="list-style-type: none"> - Check whether procedures were followed (Boarding-off process) - Check authorisation - Check final destination of items boarded - If sold check the revenue recorded with price sold 		

<p>Pre-Audit</p>	<p>Technically, pre-audit is made up of two (2) steps, <u>Certification</u> and <u>Verification</u>.</p> <p>Certification</p> <p>Ensuring that the amounts on the payment voucher agrees with the supporting documents.</p> <ol style="list-style-type: none"> 1. <u>Always ensure that you are working on original invoice / document.</u> 2. Where a duplicate document /invoice is being used consult your supervisor, unless you understand the circumstances that brought about the duplicate document / invoice 3. Ensure that the amount on the Payment Voucher agrees with the invoice and the contract document 4. Check comments written by senior officials on the invoice or the contract document (say pay 70%) and apply accordingly. <p>Verification</p> <p>Ensuring that the goods or services have been received before payments are made. Verifying assets may be easy but verifying consumables may have its own challenges. Especially where the goods would be used before payment is done.</p> <p>Assets verification</p> <ol style="list-style-type: none"> 1. Physically inspect the assets 2. Check whether it has been recorded in assets register 3. Check whether it has been labelled <p>Consumables verification</p> <ol style="list-style-type: none"> 4. Use your knowledge in <u>materiality</u> or <u>reasonability</u> to approach the audit. For example you don't need to go and examine the existence of a ream of A4 sheet. However if they bought 50 boxes of A4 sheets do the following: <ol style="list-style-type: none"> a. Request / approval for the purchase b. Preparation of GRV, the receiver and certification 		
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	<p>c. Quantity purchased d. Tally Cards e. Stores issue voucher f. Balance g. Areas that the goods were used</p> <p>Some of the consumables, not in quantities, but expensive may not go through the steps outline eg purchase of two lorry tyres.</p> <p>When verifying such goods, the tyre might have been used already, they are not in store, so:</p> <ul style="list-style-type: none"> • Check the GRV and the LPO • Confirm with the Department and the vehicle that took the tyres • Confirm any inconsistencies between the records and the information obtained. 		

Procurement Audit Programme (PPA Act 2003, Act 663)

Control Objective	Audit Procedure	Performed by:	Ref #
Review of the Procurement Office Activities	<p><i>Check whether the following exist and comment about it:</i></p> <ul style="list-style-type: none"> a. Proper unit structure, succession plan in place, when the Boss is not at post the office does not come to a standstill. b. Staff training c. Staff appraisal report 		
Review of Procurement Procedures	<p>This relates to University wide procurement, according to the Law.</p> <ul style="list-style-type: none"> a. Check the Existence and updating of Procurement Plans b. Check whether the following also exist <ul style="list-style-type: none"> i. List of Entity Tender Committee members ii. Minutes of entity tender committee iii. Approved procurement plan iv. Budget Extract on Procurement Expenditure c. Abiding by the Approval / Authorisation Limits (thresholds) <ul style="list-style-type: none"> i. Goods ii. Services iii. Works d. Check the existence of the Suppliers list and the procedure for update. e. Check the procedure to receive items purchased and how it gets to the User Department. 		
Procedure for auditing the	<p><i>Obtain the list of items purchased throughout the year and segregate it under the three (3) methods of procurement.</i></p>		

'Procurement Method'	<p>a. For single source b. Tender (Restricted, National & International) c. Price Quotation.</p> <p>The Law provides the processes to be adopted when applying each method. Check whether the Law has been applied in each of the methods selected</p>		
Request for Quotation	<p>Popularly known as Price Quotation the only conditionality is a minimum of three quotation. So, you select some of the items purchased and look for the three (3) quotations</p> <ul style="list-style-type: none"> ✓ You also have to look for the approval levels whether the amount was approved by the right person ✓ Check the reasonability of the prices of goods and services supplied. 		
Single Sources	<p>For Single Source, one of the major criteria is to take approval from PPA.</p> <p>Single sources and Restricted Tender check correspondence including approvals</p> <p>Check whether the following conditionality were met before applying single sources:</p> <ul style="list-style-type: none"> ✓ where goods, works or services are only available from a particular supplier or contractor, or if a particular supplier or contractor has exclusive rights in respect of the goods, works or services, and no reasonable alternative or substitute exists; ✓ where there is an urgent need for the goods, works or services and engaging in tender proceedings or any other method of procurement is impractical due to unforeseeable circumstances giving rise to the urgency which is not the result of dilatory conduct on the part of the procurement entity; 		

	<ul style="list-style-type: none"> ✓ where owing to a catastrophic event, there is an urgent need for the goods, works or technical services, making it impractical to use other methods of procurement because of the time involved in using those methods; ✓ where a procurement entity which has procured goods, equipment, technology or services from a supplier or contractor, determines that <ul style="list-style-type: none"> ○ additional supplies need to be procured from that supplier because of standardisation; ○ there is a need for compatibility with existing goods, equipment, technology or services, 		
Restricted Tender	<p>A procurement entity may for reasons of economy and efficiency and subject to the approval of the Board engage in procurement by means of <u>restricted tendering</u></p> <ul style="list-style-type: none"> ✓ if goods, works or services are available only from a limited number of suppliers or contractors; or ✓ if the time and cost required to examine and evaluate a large number of tenders is disproportionate to the value of the goods, works or services to be procured. <p>Where a procurement entity engages in restricted tendering on the grounds referred to in section 38(a),</p> <p><u>Check the following:</u></p> <ul style="list-style-type: none"> ✓ invite tenders from the suppliers and contractors who can provide the goods, works or services; ✓ select in a non-discriminatory manner, a number of suppliers or contractors to ensure effective competition. 		

	✓ a notice of the selective-tendering award to be published in the Public Procurement Bulletin.		
Tender (National, International)	<p><i>For Tender the process is long, find attached working paper table that can assist you to know what to look for. This is not exhaustive so read the law for few processes to add</i></p> <p>After selecting samples of each, follow through some of these steps to audit:</p> <ol style="list-style-type: none"> 1. Selection of Procurement method 2. Preparation of tender documents 3. Sale and issue of tender documents 4. Tender invitation / advert 5. Receipt of tender and bids 6. Opening of tender 7. <u>Signing of tender documents ***</u> 8. <u>Evaluation reports / approvals and signed minutes</u> 9. Release of bid guarantees to all tenders 10. Contract award letters / Unsuccessful tenderers 11. Demand performance guarantee from the firm awarded the contract 12. Monitor delivery and execution of contract 13. Inspection of goods; services delivered; and works executed and (<i>Delivery reports/ completion certificates / Stores Receipt Vouchers</i>) 14. Payments relating to contracts 		
Stores / Warehouse Management	<p>In reviewing Stores Management, your checks would include:</p> <ol style="list-style-type: none"> a. The staff at the stores and their qualification and training 		

	<ul style="list-style-type: none"> b. The system put in place, including the recordings to receive items into store; c. Systems in place, including the recording of issuing items out stores d. The security arrangements for items sent 'in' and 'out' of stores e. The systems in place to replenish store (<i>the use of Stock Levels</i>) f. Stock records and their approvals (GRV & SIV) g. Periodic stock count h. How difference in count are treated and recorded 		
Stores Condition	<p>Whilst doing the stock taking the following information are to be reviewed and comment appropriately:</p> <ul style="list-style-type: none"> 1. Stores arrangement <ul style="list-style-type: none"> a. Spacing and accessibility b. Electronic items cannot be kept in the same place as chemicals c. Chemical cannot be stored in the open iron rods d. etc 2. Ventilation & lighting 3. Store Condition, stuffy, dirty, etc 4. Obsolete and expiry 5. Use of PPE (where applicable) 		

Special Cases Audit.

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

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

Colleges

6. Review of Procurement processes at the Colleges

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

- a. Obtain records/list of requests from their weekly/monthly etc. procurement meetings
- b. Examine letter/request which user department submitted to request for purchases
- c. Examine the date on the request letter and the date the items were purchased
- d. Document any irregularity or lapses in the procurement processes

7. Update of Website information at the Colleges

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

- a. information on the website are current and relevant
- b. establish whether there is no information for the update of the website administrator is not living up to his responsibility and make the appropriate comment in your report

8. Faculty Development Fund at the College

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

- a. Compute and confirm the 40% on the Parallel/Part-time fee paid at the College
- b. Check whether there are records (ledgers) to keep track of the 40%
 - *no records means the money has been added to other monies for recurrent expenditures*
- c. If there are records:
 - Check what the monies have been used for, whether it falls in line with the faculty development policy

- Check whether expenditure approval was given by the Vice Chancellor
 - Make the necessary comment and recommendation in your report
- d. Confirm the balance

9. Donor funding

This is to take care of Foreign Donor Project being managed in the University.

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

- a. Identify name of the project, Principal investigator, Donor/Sponsor
- b. Expected Project amount, checked the amount received/disbursed so far on the projects
- c. Identify bank account details, type, account number and authorisation for the opening of new projects bank accounts
- d. For closed-out projects – check out the cash and bank balances. Those without monies recommend for their closure.
- e. Assets of the closed-out projects, check whether it has been transferred to the University?
- f. Check out monies used to purchase assets including vehicles and ensure there are recorded in the assets register and labelled. Verify condition of assets and make recommendations if any.
- g. For project vehicles, examine the mechanism for monitoring and control of the Vehicle

10. Audit at Research Centres

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

- Check the Management structure of the Research Center
- Establish the Number of staff and their work, Permanent staff and Lectures doubling as researchers
- Are the Centers staff being paid every month and what do they bring in return
- Are they being funded by a Project for which they are supposed to pay Administrative Charges to the University and have the monies being paid the University

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

Printing Press & Photocopy

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

- Check if there is strategic plan being followed, then confirm the targets and dates
- Utilisation of capacity
- Timely banking where cash is collected
- Purchases and Storage of raw material and Finished Goods
- Security concerns of production
- Creditors

Basic School

- *Note that Reputational Risk is key in your audit*
- They have lots of revenue items, test all
 - School fees
 - Admission forms
 - Registration fees
 - PTA Fees
 - School Uniforms & Textbooks
- Fee debtors is also an issue especially the final year students
- They use a lot of temporary staff, check the number of years served
- Student-Teacher-Ratio (STR) is key
- Monitoring of Quality
- Check whether the decision of the Board has been implemented
- Safety and Sanitation is key

Works & Physical Development

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

- ✓ The work exist and it is on-going
- ✓ Value of work done is not more than the contract sum
- ✓ Understand the difference and check Variations and Fluctuations
- ✓ Check approval for the variations
- ✓ Where possible, examine the new addition to the construction
- ✓ Check previous payment which is added back to the current certificate before determining the current payments

Estate Organisation

- ✓ They are in-charge of all landed properties of the University. They are expected to keep the list of companies / organization doing commercial activities on University's property (such as banks, supermarkets, Halls cafeteria, Swimming pool, etc).
- ✓ Check, Customers Files, Agreement, title deeds, Tenancy billing and payments (list of receivables) Accountability of Hawking Tolls (if stopped)
- ✓ Maintenance of landed properties, bungalows and faculty area eg. CCB
- ✓ They also keep custody of a lot of movable properties like Classroom furniture and some bungalow furniture (Examine records)
- ✓ They keep custody of boarded properties (*note that in the public services office furniture is usually changed when there is a new Head*) so boarded items could be new but not obsolete.

Maintenance

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

- ✓ Work through the process of reporting of fault, assignment of work and completion of work
- ✓ Check whether the process works
- ✓ Check timely completion of job
- ✓ Check requisition for items, approval, and issue of items to site (very risky)
- ✓ Visit the site and check whether the job is complete
- ✓ Check whether the person who reported the fault has signed any satisfactory note
- ✓ Confirm the time it to from the report of case to completion of assignment

Students Association

Risk Associated with Students Association

- Non accounting for special levies charged to students
- Non accounting for sponsorship
- Depletion of bank accounts during last days in office
- Printing and selling of souvenirs –income declaration
- Non-compliance of authorisation for their expenditures
- Not keeping records on assets
- Not keeping records on stocks
- Treasures keeping cash in excess of the authorised limit in their bags
- **Confirm the Accounts** prepared by the Accountant

Students Financial Services

1. Number of scholarships available
2. Sources of funding / Sponsor
3. Bank accounts that receives the money
4. Number of students assessing the fund (year 1 – 4 categorisation is preferred)
5. Selection processes to qualify for the fund
 - a. Completion of forms
 - b. Approval process
 - c. Final selection (list must be verified) – let's check whether verified list agrees with the new list that accompanied the money,
 - d. Possibility of swapping names
6. Payment procedures
 - a. How much is a person supposed to receive
 - b. Transfer from the holding accounts to, Colleges, Cash office and Students financial services
 - c. mode of payment to students (cash or bank transfer)
 - d. Should unclaimed monies be returned after a stipulated time?
7. Period for the scholarship / termination and removal of names
 - a. Whose responsibility is it (cut funds from source, or KNUST should advise)
 - b. When advice has gone and monies are still paid, how do you stop it

Standard Audit Programme Design – KNUST Hospital

Control Objective	Audit Procedure	Performed by / Date	Ref #
<i>Test completeness of Revenue</i>	<p><i>Please understand the client business before you do this exercise</i></p> <ol style="list-style-type: none"> 1. List all the sources of revenue at the Hospital and test each of them separately. <ol style="list-style-type: none"> a. For revenues that can be tested using <i>Number of Client X Rate</i>, develop the expectation using the formula and compare with what has been recorded and give your comment b. For those that “expectation” cannot be applied, compile source document, c. Use other approaches like deriving sales from stocks or using margins to determine revenues 		
<i>Test prompt Banking of Revenue</i>	<ul style="list-style-type: none"> • Not applicable at the Hospital. • However, review and comment on the system in place to reconcile the amount paid by patients and amount declared by the bank in the existing arrangements. 		
<i>Confirm Accounts Receivable</i>	<p>Understand how debtors are created, and do the following:</p> <ul style="list-style-type: none"> • Obtain the list of all debtors (including NHIS Receivable) • Confirm the validity of the debtors (whether there is any source document to suggest that the patients has used the services of the Hospital and have not paid) • Check whether they submit period debtors list to the Director and the FO as per the accounting policy • Check whether they keep an ageing analysis of the Debtors and look for long outstanding debtors and confirm their recoverability 		
<i>Special Advance management</i>	<p>Obtain the list of all staff who have been given special advances (<i>Special Advance Register is the source</i>)</p> <ol style="list-style-type: none"> 1. Review the dates of the advance and check whether they were retired within the stipulated time 2. Check entries passed to ensure Special Advance is treated first as receivables and then as Expenditure. 3. Check cash balances (if any) have been paid into chest. 		

	4. Check whether the special advance were used for the purpose for which it was obtained and whether the amount is fair.		
<i>Test the validity of Investment</i>	Obtain the investment schedule for all investment made at the Hospital and do the following: 1. Confirm the validity of the investment cost 2. Re-compute and confirm the interest income received / receivable from the bank and agree with the cash book records 3. Critically review the movement in the investment and ensure that all redemptions have been well accounted for		
<i>Test Validity of Expenditure</i>	From their trial balance downloaded from the PANACEA: 1. Prepare your lead sheet (Summary of expenditure) 2. Select some expenditure item and trace to the supporting document for validity. 3. Check the following whether: a. Classification of expense item in the ledger b. Whether procurement law was followed c. The purchase was authorized d. LPO was obtained where applicable e. Check the reasonability of the expenditure		
<i>Accounts Payable</i>	Obtain the list of all suppliers invoices that has not been paid for and (<i>note that the Accountant may not keep such records</i>) 1. Confirm whether the hospital has received any goods or service from suppliers that created such liability 2. Check whether the last bulk items, for example drugs has been recorded as part of the purchases, and also captured as part of the Creditors. (<i>note it is possible last invoices could be paid and old invoice made outstanding</i>) 3. <i>If the Accountant do not keep such records, please comment</i>		
<i>Bank Reconciliation</i>	Obtained the list of all banks accounts and perform the following: • Check whether monthly Bank Reconciliation Statement have been prepared • Review the bank reconciliation statement for validity and completeness.		

	<p><i>(Stale cheques must be reversed and cash deposits should be credited instantly never to be an outstanding item; except the deposit was made the same day the statement was printed)</i></p> <ul style="list-style-type: none"> • Check whether new bank accounts have been opened and confirm who gave the authorization to open a new account 		
<i>Assets Management</i>	<p>Obtain the list of assets purchased in the period under review:</p> <ol style="list-style-type: none"> 1. Check whether standard procedures were followed before the acquisition were made 2. Check whether the assets register has been updated 3. Check for the existence and condition of the assets <i>(new assets should be seen as such)</i> 4. Check Labelling of the assets. <p>For the old assets, select some of them from the assets register and</p> <ul style="list-style-type: none"> • Physically inspect them for existence & condition • Check identification marks • List the defective furniture, electrical fittings, cracks and leakages on the building and document your findings. <p>For items scheduled to be boarded off:</p> <ul style="list-style-type: none"> • Check whether the boarding procedures were followed • Check authorisation • Checking the final disposition of the assets. 		
<i>Prepare Accounts</i>	Print the Income & Expenditure Accounts, the Financial Position from the PANACEA and keep it on the file		
	Operations		
<i>Laboratory & X-ray</i>	<p>Have a discussion with their Head to understand why the Unit exist</p> <ul style="list-style-type: none"> ✓ Ask whether they have standard procedures for doing their job ✓ Confirm how supervision is done <i>(for example reviewing and signing a document)</i> and confirm the signatures ✓ Check whether equipment being used have calibration date and confirm whether there is any evidence to calibration <i>(sticker or register to document calibration date)</i> 		

	<ul style="list-style-type: none"> ✓ Enquire about the nature of PPE to be used and check how it is supplied <p>Where revenue are generated from that Unit,</p> <ul style="list-style-type: none"> ✓ check whether the amount recorded are periodically reconciled with the Accounting records and by who ✓ select a period and test to ensure that all monies captured at that Unit agree with the information at the Accounts office 		
<i>Dispensary</i>	<p>Have a discussion with their Head to understand why the Unit exist</p> <ul style="list-style-type: none"> ✓ Check procedure for stocking medicines at the Dispensary ✓ Select few recent drugs that were supplied to the dispensary and check whether procedures were followed ✓ Understand how emergency cases to supply drugs are treated and make suggestion if weaknesses exist. <p>Check how medicines sent to the dispensary are accounted for (either end of shift or end of day)</p> <ul style="list-style-type: none"> ✓ If it is signing of documents by the Head, check the signatures of the Head ✓ Select few medicines and test their closing balances at the end of a shift and agree with their records <p>Understand and review the system for serving patients whether efficiency in turnaround time can be improved</p>		
<i>Pharmacy Store</i>	<p>Have a discussion with the Head of Pharmacy and understand the processes for acquisition and issuing and accountability of drugs at the Pharmacy store</p> <p>Understand the process for acquiring drugs into store, <u>normal</u> purchase and <u>emergency</u> purchase</p> <ul style="list-style-type: none"> ✓ Select some of the current drugs purchased and test to confirm whether the procurement process were followed for the normal purchase and also laid down policies followed for emergency purchases ✓ Test check the quantities of few new drugs received into store by confirming the quantities on GRV 		

	<ul style="list-style-type: none"> ✓ Count quantities on the shelves and agree the balance with the SIV (issues). Note the SIVs should be well authorised and the location should be part of the University Hospital System <p><i>If you notice any outside delivery try to under the reason, it could be a replacement of borrowed drug during emergency)</i></p> <p>Check whether the Pharmacy has the list of fast moving and slow moving drugs. Also check whether they operate with predetermine stock levels (EOQ, ROL, MinL, etc)</p> <ul style="list-style-type: none"> ✓ Select some of the medicines in stock and check it against their minimum levels ✓ Confirm the quantities in stores vis-à-vis the daily usage and see whether there could be shortages and advice for the review of their stock levels ✓ Understand the policy in place for minimizing expiry drugs and test whether the processes are being followed <p>Check whether there have been periodic stock-taking aside the annual one and do the following:</p> <ul style="list-style-type: none"> ✓ Obtain the last final stock list ✓ Select some of the drugs and confirm the figures by physically counting the items on shelf and using the GRV and SIV determine the closing stock ✓ Where there are differences discuss. ✓ Check the pricing of few items in the system and agree with the price from the last suppliers' invoice (FIFO) 		
<i>V.I.P</i>	<p>VIP Ward appears to have some of its operation separate from the Main Hospital. Understand the part that are separate and areas that common facilities are shared</p> <ul style="list-style-type: none"> ✓ Where the operation is distinct from the main use the same procedure at the main to test ✓ Where there are overlaps, check to ensure that the overlapping activates are well accounted for 		
<i>General Hospital Management</i>	<p>Understand the structure of the Hospital, obtain and keep in your <u>Permanent Audit File</u> the following:</p> <ul style="list-style-type: none"> ✓ The organogram ✓ Units / Section at the Hospital 		

	<ul style="list-style-type: none"> ✓ Required number and actual number of staff at the Unit/Department ✓ Number of Staff on payroll and those paid from Hospital IGF ✓ Strategic Plan of the Hospital <p>Reviews</p> <ul style="list-style-type: none"> ✓ Confirm whether strategic plan is being adhered to ✓ Enquire whether there are established periods for changing some of the consumable and check whether it is being followed: <ul style="list-style-type: none"> a. mosquito nets, bed sheet, curtains, etc. in the wards <p>Check whether there is:</p> <ul style="list-style-type: none"> ✓ staff training ✓ staff appraisal system (confirm and report) ✓ records of monitoring turn out rate at the hospital (confirm) ✓ records of monitoring absenteeism (confirm) 		
<i>Review of Emolument Report</i>	<p>Obtain the emolument report and check the following:</p> <ol style="list-style-type: none"> 1. Confirm staff on long leave (eg study leave, maternity leave, sabbatical) and check whether they are receiving additional allowance 2. Check whether staff whose due dates has elapsed have resumed work 3. Identify those receiving car maintenance allowance and confirm whether they bring their vehicles to work 		
<i>Fleet Management</i>	<p>Obtain the list of vehicles at the Hospital from main audit office</p> <ol style="list-style-type: none"> 1. Check the existence of the vehicles at the Hospital 2. Check the maintenance of log book and whether a senior officer review the log book 3. Does fuel consumption and mileage being checked by a responsible official? 		
<i>Utilities, Safety & Sanitation</i>	<p>Enquire whether there are systems in place to monitor the following:</p> <ul style="list-style-type: none"> • General sanitation • Reliability of water and light • Physically observe decent electrical wiring at the hospital 		

Appendix 3 – Field Working Paper

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

Client : College of Science			Prepared by	Date		
Period: 2019/2020 Academic Year						
Subject: Fee Income For Year 1			Reviewed by	Date		
Objective: <i>To test the completeness of Under graduate Fees paid by Ghanaian Students</i>						
Details	Number of	Fees Per	Expected	Amount	Difference	Comment
Programme	Students	Students	Amount	Recorded		
	(a)	(b)	(c)	(c)	(d)	
Fee Paying						
Biological Science/Env't Science / Physics / Chemistry	1,000	5,693.60				
Optometry	1,000	7,047.60				
Actuarial Science / Statistics / Mathematics / Computer Science.	1,000	5,393.60				
Biochemistry / Food Science & Tech / Meteo & Climate	1,000	5,693.60				
Regular						
Biological Science/Env't Science / Physics / Chemistry	500	1,647.11				
Actuarial Science / Statistics / Mathematics / Computer Science.	500	1,347.11				
Biochemistry / Food Science & Tech / Meteo & Climate	500	1,647.11				
Work done						
(a) Obtained the number of students from the ARMIS						
(b) Obtained the fee per student from the published school fees						
(c) computed expected amount by multiplying (a) & (b) and agreed with the amount recorded in the PANACEA						
(d) Differences has been used to derive fee debtors for the year						
Conclusion						
Amount recorded as revenue is correct						

Note:

- The total figures on this sheet must tie up with your lead sheet.
- Use the lead sheet to confirm over/under budget.

Client	<i>University Hospital</i>			Prepared by	Date
Period	Ending December 31. 2019				
Subject:	Assets Verification			Reviewed by	Date
Objective:	To test whether assets exist and are in good condition				
Assets Description	ID Number	Location	Condition	Remarks	
	(a)	(b)	(b)		
Air-condition	REL /EQ/14	Secretary's office	bad	<i>The AC leaks water badly</i>	
Laptop	REL/EQ/36	Drivers Office	good		
Office Desk	REL /FF/07	Managers Office	good		
Work done					
(a) Selected assets from the assets register					
(b) Physically inspected the assets and its condition					
Conclusion					
Assists Exist but most of them are not in good condition					
	Or				
Assists exist and are in good condition					
Note					
<i>Prepare a different sheet for building (write bullet point on what you see)</i>					

Overview of Scholarships and Bursaries

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

Appendix 5 – Follow-Up Template

	Issues Raised	Recommendation	Comment		
			Resolved	Partly Dealt with	Not Resolved
1	Non Application of Sick leave Pay Policy We saw an instances where staff was on long sick leave but was being paid normal salary instead of half of the salary	Apply the sick pay policy.	✓		
	<i>The Audit checks whether the absence from work was continuous or not revealed that the staff sometimes comes to work and go back to sleep again due to the Sickness.</i>				
2	Payment of Similar Allowances Some staff were unknowingly being paid two allowances which served the same but have different names	Correction should be made to drop one of them since they all serve the same purpose	✓		
3	Prompt Attention on Refunds to the University A staff who is to refund monies to the University after leaving the services requested that his GUSSS should be used to defray the expenses. As at the time of the audit no refund has been done	The Finance Office should do a follow up from GUSSS to collect the money		✓	
	<i>Monies not yet paid. Reconciliation is still ongoing</i>				
4	Non-Holding of AGM				
	It was observed the Management of the Pension has not been holding AGM, reasons being the meet bodies making up the GUSSS at different times and explain give them update	Go according to Constitution of the Scheme and hold the AGM.			
	<i>Management has agreed but the organisation of AGM would be in year 2020.</i>				