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**INTERNAL AUDIT GUIDELINES**

**COMMUNICATION & WORKS DEPARTMENT,**

**GOVERNMENT OF KHYBER PAKHTUNKHWA**

**APRIL 2013**

## **SECTION 1**

### **Understanding of Business Entity**

**INTERNAL AUDIT DEPARTMENT, GOVERNMENT OF KPK**  
**AUDIT PLANNING-PERMANENT FILE**  
**Index/Checklist**

<b>Main Reference</b>	<b>Supporting Schedules</b>		<b>Done by:</b>	<b>Date:</b>
PF		Update Control Sheet		
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**INTERNAL AUDIT DEPARTMENT, GOVERNMENT OF KPK  
AUDIT PLANNING-PERMANENT FILE**

**Update Control Sheet**

**Name of Entity/Organisation: Secretariat-Communication and Work Department  
Peshawar.**

Original file prepared by: \_\_\_\_\_

Date: \_\_\_\_\_

File updated by: \_\_\_\_\_ Date: \_\_\_\_\_

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**INTERNAL AUDIT DEPARTMENT, GOVERNMENT OF KPK  
AUDIT PLANNING-PERMANENT FILE**

**Understanding of Entity's Business – Status of Entity**

**Name of Entity/Organisation: Secretariat – Communication and Works Department**

**Principal Address:**

Secretary to Government of KPK  
Communication and Works Department  
Civil Secretariat Khyber Road Peshawar.

**Status of the Entity:**

Secretary Communication and Works is an administrative department works Under the Provincial Government. Established in 1903 as Public Works Department and Bifurcated as Building & Roads (B&R) Department and Irrigation Department in 1955.It was renamed as Communication & Works (C&W) Department in 1979.Communication & Works (C&W) Department merged with Public Health Engineering Department to form "Works & Services (W&S) Department on July 01, 2001.In 2009 again bifurcated from Public Health Engineering and renamed as Communication &Works Department.

**Inter-Governmental Relationship:**

Secretary Communication and works is an administrative head of the department on behalf of provincial government. The C and W is an executing agency for all other departments and is responsible for construction of roads, brigdes and all government buildings.

**GUIDANCE**

*The auditor should document on this form the principal address, status (whether it is a Provincial government, semi-government, self accounting, centralized or exempt accounting entity, etc.) and its relationship with other government departments/ministries (attached department, branch office, etc).*

**INTERNAL AUDIT DEPARTMENT, GOVERNMENT OF KPK  
AUDIT PLANNING-PERMANENT FILE**

**Understanding of Entity's Activities – Background Information**

**Name of Entity/Organisation: Secretariat-Communication and Work**

*The auditor should gather financial and other background information about the entity.*

**Size of Entity**

Total revenue expenditures budget and actual for the year 2011-12 and 2012-13 are as below;

Code	Heads	Original budget 2011-12	Revised Budget 2011-12	Progressive for the year	Original budget 2012-13	Revised Budget 2012-13	Progressive till March,2013
A01	Employees related expenses	37,370,790	31,380,209	31,400,932	68,716,720	36,504,451	27,526,484
A03	Operating Expenses	5,846,500	7,297,200	7,297,075	6,193,570	9,213,080	6,195,060
A04	Employees Retirement Benefits	2,500,000	-	-	1,500,000	1,000,000	954,014
A05	Grants subsidies & write off	2,500,000	-	-	2,500,000	1,000,000	-
A06	Transfer	105,000	280,000	280,000	160,000	250,000	200,000
A09	Physical Assets	330,000	390,000	390,000	400,000	660,000	538,055
A13	Repairs and Maintenance	580,000	870,000	870,000	637,590	1,050,000	750,725
<b>Total</b>		<b>49,232,290</b>	<b>40,217,409</b>	<b>40,238,007</b>	<b>80,107,880</b>	<b>49,677,531</b>	<b>36,164,338</b>

An amount of Rs 35M with Code A01150 and Sub Heading "Others" included in Employee Related Expenses has been surrendered in 2012-13.

**Core Operational Activity/Corporate Plan**

- ✓ Construction, maintenance, repairs, internal electrification and fixation of rent of all Government buildings, residential and non-residential, including tents, Dak bungalows and circuit houses except those entrusted to Establishment & Administration Department.

- ✓ Construction, maintenance and repairs of roads, bridges, ferries, tunnels, ropeways, causeways and tram-ways lines.
- ✓ Collection of Tolls (excluding those levies by Local Governments).
- ✓ Evaluation/Fixation of Rent/Control/Management, leases and disposal sales of Government buildings.
- ✓ Water supply and sanitary works pertaining to Government buildings and Government estates.
- ✓ Laying standards and specifications for various types of roads and bridges for the province.
- ✓ Planning and designing roads and connected a works for the department financed from Provincial and /or Federal Funds.
- ✓ Road research and material testing.
- ✓ Execution of works on behalf of other agencies/department as deposit Works.
- ✓ Preparation of architectural plans/drawing of buildings of Provincial Government.

### Major Beneficiaries

Being execution agency Major beneficiaries of Work and Services department are general public and other governmental organization.

### Major Cost Centres

The major cost centre in Secretariat C and W department is Employee Related Expenses forming approximately 78% of the total expenditures with details depicted in the ensuing table;

		<b>2012-13 Amount Rupees till March,2013</b>	<b>2011-12 Amount Rupees</b>
<b>A01</b>	<b>Total Actual Employees related expenses</b>		
A011	Total Basic Pay		
A011-1	Total Pay Officers	5,466,620	5,984,107
A011-2	Total Pay Of Other Staff	5,258,690	7,851,094
A012	Total Allowances		
A012-1	Total Regular Allowances	12,632,587	12,769,697
A012-2	Total Other Allowances (Excl.TA)	1,452,921	1,242,487
	<b>Total</b>	<b>24,810,818</b>	<b>27,847,385</b>



## **Reporting Authority**

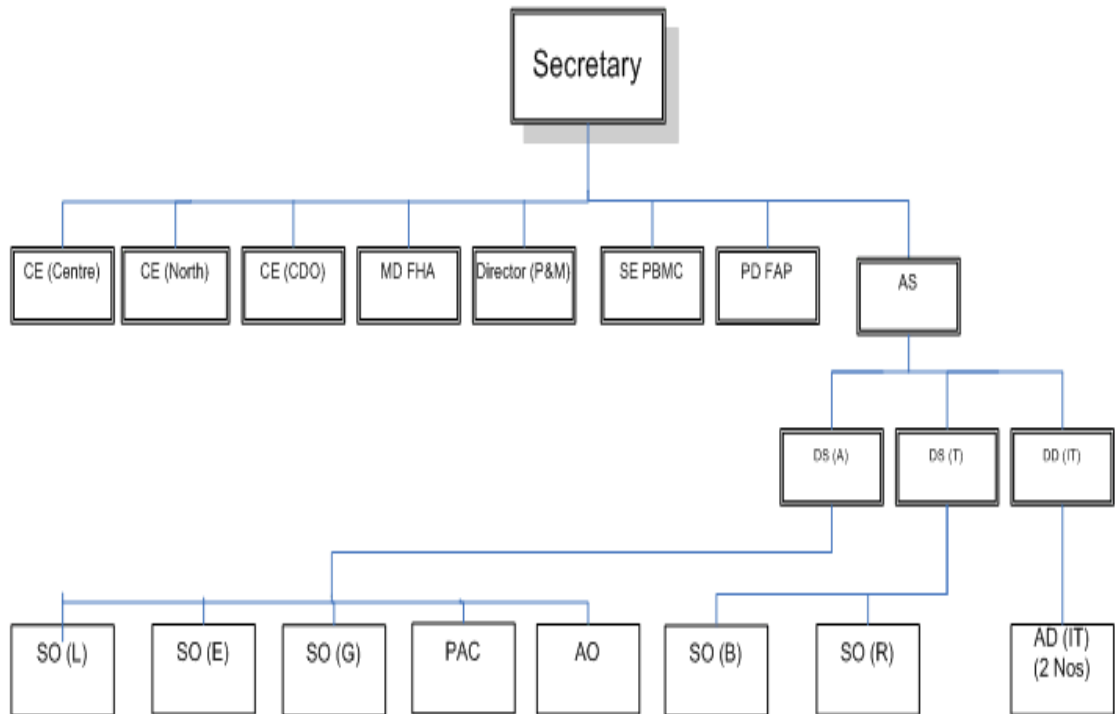
As per section 5 of rules of business 2007, the secretary communication and works department is administratively reportable to chief Secretary and functionally reportable to Minister of the province.

## Important information and statistics

The organization structure is as below:



## ORGANIZATION CHART OF SECRETARY OFFICE COMMUNICATION & WORKS DEPARTMENT



CE - Chief Engineer  
MD - Managing Director  
SE - Superintending Engineer  
PD - Project Director  
DS - Deputy Secretary  
DD - Deputy Director  
SO - Section Officer  
AO - Account Officer  
AD - Assistant Director

Secretary is the administrative head of the department with three chief engineers actually executive the work and Director (P and M) and Additional secretary for planning, monitoring and evaluation. Being homogenous in nature functionally the Director (P and M) and Additional Secretary are included in the entity-Secretariat Communication and Work Department. The CE Offices, FHA ,PD FAP and SE PBMC are considered separate entities. The sanctioned strength of staff in secretariat C and W including the Director (p and m) are 101 of which 9 are vacant. Grade wise details(actual), Designation are as follows;

<b>Secretariat-Communication &amp; Works Details of Scale with Designation 2012-2013</b>				
<b>S No.</b>	<b>Actual BPS Scale</b>	<b>Designation</b>	<b>Vacant Post</b>	<b>Total Budgeted Posts</b>
1	1	Chowkidar		2
2	1	Naib Qasid		9
3	2	Sweeper		2
4	2	Naib Qasid		13
5	2	Chowkidar		1
6	2	Daftari		1
7	4	Driver		3
8	5	Driver		2
9	6	Driver		1
10	7	Driver		1
11	7	Junior Clerk	3	15
12	9	Senior Clerk		3
13	12	Computer Operator	1	5
14	13	Divisional Head Draftsman		1
15	14	Junior Scale Stenographer	2	3
16	14	Data Processing Supervisor		2
17	14	Assistant		10
18	15	Senior Scale Stenographer		3
19	16	Superintendent		4
20	16	Assistant Programmer	1	1
21	17	Environmentalist	1	1
22	17	Monitoring Officer	1	2
23	17	Planning Officer		1
24	17	Section Officers		6
25	17	Assistant Director		2
26	17	Accounts Officer		1
27	18	Deputy Director		1
28	18	Deputy Secretary		2

29	19	Director (P & M)		1
30	19	Additional Secretary		1
31	20	Secretary		1
	<b>Total</b>		<b>9</b>	<b>101</b>

**GUIDANCE**

*The auditor should gather financial and other background information y and may include operational data as well of the entity being audited. This includes information about total assets, total liabilities, total revenue and total expenditure, corporate plans, and organization structure, main functions, etc.*

*Other important information and statistical data may also be included here.*

**INTERNAL AUDIT DEPARTMENT, GOVERNMENT OF KPK**  
**AUDIT PLANNING-PERAMNENT FILE**

**Understanding of Entity's Business – Internal and External Factors**

**Name of Entity/Organisation: Secretariat-Communication and Work**

***The major internal factors affecting the entity are;***

- ***Organization structure and hierarchy*** (Communication and work department has a very complex structure of horizontal and vertical hierarchy and have material impact on the operations, monitoring and accountability)
- ***Organizational Cultural*** (the control environment, management attitude, and general trends can have material impact on operations)
- ***Policies and procedures*** (the policies and procedures specific to organization help in achieving organization goals and objective efficiently and effectively).
- ***Trainings*** (relevant trainings can have positive affect on entities operation.
- ***Financial Management System***. (a good financial management system can provide prompt and timely information for decision making).

***The major external factors affecting the entity business are***

- ***Form of government*** (In democratic form of Government the cabinet and ministers used undue influence on the entity).
- ***Stability of the government*** (Being a government department the stability of the government the, more smooth will be the working environment)
- ***Prevailing Economy*** (Price fluctuation would have direct effect on the contract value).
- ***Relevant laws and regulations*** (must be adhered)
- ***Social environment*** (prevailing social and cultural environment can have material effect on entity operations)
- ***Technological changes***(the entity must adapt itself according to technological change)
- ***General environmental changes***(the entity must response to general environment changes)

## **GUIDANCE**

*The internal auditor's objective is to obtain sufficient appropriate audit evidence to provide reasonable assurance that operations/processes of the entity affected by external matters outside control of management such as the economy, rules and regulations, etc. To do so, the auditor will need to understand the external factors that could affect the audited entity's financial position as well as operations.*

*The auditor should list external factors that may have an impact on the performance of the operational activities of an auditee. The auditor should use professional judgment to decide what these factors are. They may include:*

- *Economic trends and conditions affecting input costs.*
- *Variation in budgets.*
- *Timing of project completion and carry over into subsequent financial years.*
- *Local interventions or events that might have an impact on project progress.*
- *General financial indicators and trends*

**INTERNAL AUDIT DEPARTMENT, GOVERNMENT OF KPK  
AUDIT PLANNING-PERMANENT FILE**

**Understanding of Entity's Business – Process Identification**

**Name of Entity/Organisation: Secretariat-Communication and Work**

The processes at secretariat level are;

(a) Budgeting

- *Developmental*
- *Non developmental*

(b) Procurement

- *Enlistment of Suppliers*
- *Hiring consultants*
- *Others*

(c) Planning and Monitoring

(d) HR

- *Hiring*  
*17 and Above*  
*Below 17*
- *Posting*
- *Transfers of employees*

(e) Monitoring and Evaluation

(f) Litigation

(g) PAC

(h) Financial Management

**INTERNAL AUDIT DEPARTMENT, GOVERNMENT OF KPK  
AUDIT PLANNING-PERMANENT FILE**

**Understanding of Entity's Business – Risk Assessment – Financial, compliance and operational Risks**

**Name of Entity: Secretariat-Cumcommunication and Works**

The financial, compliance and operational risks assessed are as follows:

Risk	High	High to Medium	Medium	Medium to Low	Low
Financial				✓	
Compliance			✓		
Operational		✓			
Overall			✓		



✓ **GUIDANCE**

*Strategic Risk: Impairment to the strategic mission of the entity*

*Operational Risk: Impairment of the ability to carry out day-to-day operations of the entity*

*Compliance Risk: Failure to comply with laws, regulations and internal policies designed to safeguard the entity.*

*Financial Risk: Loss of financial resources or assets.*

*Reputational Risk: Risk to public image or reputation is damaged by actions of a unit or individual connected to the entity.*

*The auditor shall include 5 rankings against the risk factor identified as;*

<b>High</b>	<b>High to Medium</b>	<b>Medium</b>	<b>Medium to Low</b>	<b>Low</b>
5	4	3	2	1

**INTERNAL AUDIT DEPARTMENT, GOVERNMENT OF KPK  
AUDIT PLANNING FILE**

**INHERENT RISK ASSESSMENT FORM**

**NAME OF AUDIT ENTITY: Secretariat-Communication and Work**

**AUDIT COMPONENT:**

Factor	High	Mod.	Low
1. The nature of the entity, e.g. <ul style="list-style-type: none"> <li>• Susceptibility to loss.</li> <li>• Susceptibility to fraud.</li> </ul>			✓
2. The extent to which the items making up the entity are similar in size and composition. <ul style="list-style-type: none"> <li>• Consider: More homogeneous the entity, the lower the risk.</li> </ul>		✓	
3. The volume of activity. <ul style="list-style-type: none"> <li>• Consider: If a lot of transactions are being processed, the chances of an error occurring may be higher than if only a few transactions are being processed.</li> </ul>			✓
4. Capability of the staff processing the transactions. Consider: <ul style="list-style-type: none"> <li>• If the staff are experienced and take their jobs seriously, there is probably a lower inherent risk than if the staff are inexperienced or careless.</li> </ul>		✓	
5. The number of locations. <ul style="list-style-type: none"> <li>• Consider: Entities operating out of a single location with a centralised accounting system may have a lower inherent risk than those operating out of many locations, each with its own accounting system.</li> </ul>			✓
6. The accounting policies being used. <ul style="list-style-type: none"> <li>• Consider: Many components have a lower risk of error when the cash basis of accounting is being used than when the accrual basis of accounting is being used.</li> </ul>			✓

**Overall Inherent risk assessment for the entity is Low.**

**GUIDANCE**

*Inherent risk should be assessed for entity as whole keeping in view the above .*

*Inherent risk is assessed in a hypothetical environment – that assumes there are no internal controls in place.*

*The form calls for the auditor to assess various factors as “high”, “moderate” or “low” risk. After all of the factors are assessed, the auditor determines, using his/her professional judgment, the inherent risk for the entity as whole. In this respect, the normal guidelines are as follows:*

<i>High inherent risk</i>	<i>60%</i>
<i>Moderate inherent risk</i>	<i>50%</i>
<i>Low inherent risk</i>	<i>40%</i>

*The assessment of inherent risk is not necessarily an average of the assessments for each of the factors listed on the form. For each factor being considered, one of the factors may be much more significant than the other factors.*

**INTERNAL AUDIT DEPARTMENT, GOVERNMENT OF KPK  
AUDIT PLANNING FILE**

**ENVIRONMENTAL INTERNAL CONTROL QUESTIONNAIRE**

**NAME OF AUDIT ENTITY: Secretariat -Communication and Work**

**AUDIT COMPONENT:**

**AUDIT PERIOD:**

Check in box: Yes:  No:  NA:

Q.	Controls	Yes/No, N/A	Done By <sup>1</sup> :	WP Ref <sup>2</sup> .
A	<p><b>Control consciousness</b></p> <ol style="list-style-type: none"> <li>1. Is there clear management accountability for the establishment, and maintenance of appropriate and sufficient internal controls?</li> <li>2. Do employees have a clear understanding of their responsibilities and authorities?</li> <li>3. Is there an atmosphere of commitment and responsibility (ensuring that tasks are completed on time, low levels of errors and mistakes, flexible allocation of tasks, low absenteeism)?</li> <li>4. Are the controls being applied at all times (throughout the year, during staff shortages, for all situations / transactions)?</li> <li>5. Are there clear procedures and directives and are there management procedures to ensure they are complied with such as:               <ol style="list-style-type: none"> <li>a) Communication of what is acceptable / unacceptable behaviour;</li> <li>b) Employee evaluations that provide feedback on their performance; and</li> <li>c) Promotions and other rewards consistent with employee performance?</li> </ol> </li> </ol> <p><i>By verbal enquiry and observation conclude on breadth and depth of the controls in place and evaluate the overall level of control consciousness</i></p>	<p>No</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p>		<p>JDs</p> <p>Timely reconciliation with AG office</p> <p>Reconciliation done on a monthly basis</p> <p>Secretariat Manual/efficiency discipline rules Proper filling of ACRs</p> <p>Provincial Selection Board (17 and above officers) And Departmental Selection Board for promotions</p>
B	<p><b>Organisation</b></p> <ol style="list-style-type: none"> <li>1. Is the organisation of the entity clearly defined in terms of:               <ol style="list-style-type: none"> <li>a) Functions and delegated authority?</li> <li>b) Responsibility for decision making?</li> <li>c) Responsibility for establishing responsibilities?</li> <li>d) Segregation of duties?</li> <li>e) Rotation of officers in key control positions?</li> <li>f) Limitations on authority?</li> </ol> </li> <li>2. In particular, are the following operating functions performed independently of one another within the entity:               <ol style="list-style-type: none"> <li>a) Accounts and internal audit?</li> <li>b) Recording of receipts and collection of money?</li> <li>c) Approval/authorisation and issue of payment?</li> </ol> </li> </ol>	<p>Yes</p> <p>N/A</p> <p>N/A</p> <p>Yes</p>		<p>Secretariat Manual and Delegation of Powers rules 2001</p> <p>No AG office person is present. There is no collection in secretariat Issue of checks done in AG</p>

<sup>1</sup> The name/initials of the auditor who undertook the work.

<sup>2</sup> Cross referenced to the working papers that contain the details on which the auditor has formed an opinion about the controls.

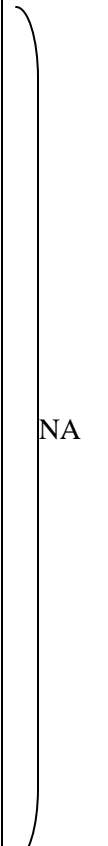
	<p>d) Recording of expenditure and issue of payment?  e) Recording of assets and safeguarding of assets?</p> <p>3. Are segregation of duties maintained during staff absence</p> <p><i>By verbal enquiry and observation check that the above functions are actually performed independently.</i></p> <p>4. Does the entity have a current organisation chart?  5. Does the entity maintain current job descriptions?</p> <p><i>Obtain a copy of the organisation chart, a list of the names of responsible officials, and a description of their authorities and responsibilities. Update the information base in the permanent file.</i></p>	<p>Yes  No  No</p> <p>Yes  Yes</p>		<p>Payment issued in AG</p> <p>As Above  JDs</p>
C	<p><b>Competence of personnel</b></p> <p>1. Do the procedures for selecting staff ensure that the staff selected for positions in the following key control areas are competent:  a) Accounting;  b) IT systems;  c) Planning and Evaluation;  d) Other areas responsible for internal controls; and  e) Management?</p> <p>2. Do staff in the following areas get adequate training:  a) Accounting;  b) IT systems;  c) Planning and Evaluation;  d) Other areas responsible for internal controls; and  e) Management?</p> <p>3. Do staff in the following areas have a clear understanding of the work and their responsibilities?  a) Accounting;  b) IT systems;  c) Planning and Evaluation;  d) Other areas responsible for internal controls; and  e) Management?</p> <p>4. Is the supervision of staff in the following areas adequate to ensure that the internal controls are properly applied in the following areas:  a) Accounting;  b) IT systems;  c) Planning and Evaluation;  d) Other areas responsible for internal controls; and  e) Management?</p> <p>5. Are there procedures for assessing staff and providing feedback and rewarding good performance with regard to:  a) Accounting;  b) IT systems;  c) Planning and Evaluation;  d) Other areas responsible for internal controls; and  e) Management?</p>	<p>Yes</p> <p>No</p> <p>Yes</p> <p>Yes</p>		<p>Please refer to HR- appointment section 2</p> <p>JDs and Secretariat Manual</p> <p>Please refer to Accounting Cycle in Section 2</p> <p>ACR properly Filled and DSB and PSB to make promotions</p>

D	<p><b>Management policy and operating style</b></p> <p>1. Are policies and procedures clearly written and communicated throughout applicable areas within the organisation? Yes</p> <p>2. Is there adequate computer information system documentation to:</p> <p>a) Determine the extent of computerisation in the entity? No</p> <p>b) Understand the computer information system? No</p> <p>c) Identify key controls in the computer information system {Segregation of duties (inputs, programming, data processing and storage) / Physical access to terminals, hardware, etc / Access to files, data, etc. (via password controls, for example)}? No</p> <p><i>Obtain a copy of the computer information system documentation and determine whether it contains the information noted above</i></p> <p>3. Do the PAO meet frequently to:</p> <p>a) Update control policies &amp; procedures? No</p> <p>b) Review entity's performance? No</p> <p>c) Take appropriate action on performance reviews? No</p> <p><i>Note the frequency of such meetings under each of the above activities and enquire about timeliness of these meetings.</i></p> <p>4. Are the minutes of such meetings prepared and signed on a timely basis? N/A</p> <p><i>Read minutes of meetings and make extracts of matters affecting presentation of financial information and other matters concerning operational activities, financial statements and budgets</i></p> <p>5. Does PAO maintain adequate control over the entity's day-to-day financial operations by:</p> <p>a) Preparing budgets and financial statements on timely basis? Yes</p> <p>b) Reviewing the results on a monthly basis and analysing significant fluctuations? Yes</p> <p><i>Enquire and discuss control procedures that are followed in the preparation and analysis of budgets and financial statements with the PAO and determine whether the budgets and financial statements contain any information or unusual and abnormal fluctuations that would affect our audit.</i></p> <p>6. Does the PAO set performance indicators and benchmarks for planned performance? No</p> <p><i>Assess completeness of indicators/benchmarks by ensuring that all significant financial components, physical targets and reporting dates have been identified</i></p> <p>7. Has the PAO established planning and reporting systems that set forth the entity's plan and the results of actual performance? No</p> <p>8. Does the planning and reporting system in place:</p>			<p>Secretariat Manual and all notification are disseminated in written</p> <p>Please refer to Budget of Section 2</p>
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	<p>a) Adequately identify variations from planned performance on a timely basis?  b) Adequately communicate breaches from and weaknesses in the control system to the PAO?</p> <p><i>Review changes in key performance indicators and enquire about significant fluctuations and their impact on yearly financial statements and review the reports on breaches and weaknesses and consider the impact of the findings on the scope of audit examination</i></p> <p>9. Does the PAO:  a) Adequately investigate variances on a timely basis?  b) Take appropriate and timely corrective action?</p> <p><i>Review significant variances in monthly reports/financial statements and evaluate the actions taken.</i></p> <p>10. Does the entity have established policies for developing and modifying accounting systems and control procedures?</p> <p><i>Review the policy document and assess whether the policies are adequate and consistent with the delegation of financial powers rules, and update the information base in the permanent file.</i></p>	<p>No  No    No  No    No</p>		
E	<p><b>Management override</b></p> <p>1. Are there potential dangers of management override that render controls inoperative?  2. Are there systems that record any situation where management override occurs?</p> <p><i>Evaluate the risk of management override that could occur without detection</i></p>	<p>No  No</p>		
F	<p><b>Reporting</b></p> <p>1. Are adequate management reports:  a) Prepared regularly;  b) On a timely basis;  c) Distributed to the appropriate management;  d) In appropriate level of detail for the different levels of management;  e) Using proper cut-off procedures; and  f) Reconciled to the accounting records?  2. Are management reports used to monitor financial and operational performance and check on the reliability of financial data through:  a) Comparison with targets (budgets and operational goals); and  b) Follow up on variation reports and unusual items?  3. Are actions taken in response to financial and performance reports?</p>	<p>NO    N/A  N/A  N/A</p>		

G	<p><b>Protection of assets and records</b></p> <p>1. Is there adequate physical security over:</p> <ul style="list-style-type: none"> <li>a) Cash;</li> <li>b) Valuable documents (cheques / securities / contracts); and</li> <li>c) Stocks and assets?</li> </ul> <p>2. Are there adequate methods to prevent unauthorised access to:</p> <ul style="list-style-type: none"> <li>a) Records (accounting records / employee files / tax records / confidential commercial information);</li> <li>b) Computer terminals; and</li> <li>c) Software controls and routines?</li> </ul> <p>3. Is there adequate physical protection of:</p> <ul style="list-style-type: none"> <li>a) Manual records;</li> <li>b) Computer hardware and systems; and</li> <li>c) Computer back up records?</li> </ul> <p>4. Is there a written disaster recovery plan?</p> <p>5. Is there a records retention policy?</p> <p>6. Are key documents properly maintained (records of decision / minutes of meetings / supporting analysis for management decisions)?</p>	<p>Yes</p> <p>Yes</p> <p>No</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>N/A</p> <p>No</p> <p>Yes</p> <p>Yes</p>		<p>Secretariat Manual</p>
H	<p><b>Internal audit function</b></p> <p>1. Does the entity have an internal audit function?</p> <p>2. Does the internal audit function have an audit manual that describes objectives, procedures and guidelines for the conduct of internal audit at the federal, provincial and district levels?</p> <p>3. Are the internal auditors independent of the activities they audit?</p> <p>4. Do the internal auditors report directly to the PAO or any other senior official not directly involved in the day-to-day management activities?</p> <p><i>Obtain a copy of the internal audit manual, and assess its relevancy, usefulness, and comprehensiveness.</i></p> <p><i>Obtain an organisation chart of the internal audit function and conclude as to whether it ensures independence of the internal audit function.</i></p> <p>5. Is the internal audit function adequately staffed in terms of:</p> <ul style="list-style-type: none"> <li>a) Number of employees?</li> <li>b) Training?</li> <li>c) Experience?</li> </ul> <p><i>Obtain a list of the current internal audit staff. For several of the key employees, obtain a summary of their employment history and the training that they have had over the previous 3 years.</i></p> <p><i>Obtain and review a few of the internal audit working papers and audit reports.</i></p> <p><i>Based on the above procedures, conclude as to the adequacy of the training and experience.</i></p> <p>6. Do the internal auditors review and document the internal control structure and perform tests of controls?</p> <p>7. If yes, review the internal audit file and obtain a copy of the document describing control structure and the nature, extent and</p>	<p>NO</p> <p>N/A</p>		



<p>timing of the audit testing. Assess the extent to which reliance can be placed on the work performed.</p> <p>8. Do the internal auditors perform substantive tests of the transactions and account balances?</p> <p><i>If the answer is “Yes”, review the internal audit file and consider the nature, extent and timing of the audit work performed. Assess the extent to which reliance can be placed on the work performed.</i></p> <p>9. Do the internal auditors render written reports on their findings and conclusions?</p> <p>10. If yes, are the reports submitted to the PAO?</p> <p><i>Obtain a copy of the reports that would appear to be particularly relevant to the financial audit being performed. Consider the impact of the internal auditor’s findings on the scope of audit examination and the extent of reliance that can be placed on them.</i></p> <p>11. Does PAO take adequate and timely actions to correct conditions reported by the internal audit function?</p> <p><i>Review management’s response to the recommendations made by the internal auditors and the actions taken.</i></p> <p>12. Does the internal audit function follow up on corrective actions taken by management?</p> <p><i>Review the internal auditor’s assessment of the corrective actions taken, and consider the impact on the nature, extent and timing of our audit tests and procedures.</i></p>	 NA		
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**Note:**

*For all X must provide explanations/elaboration/implications*

*For all ✓ Working Papers should show what tests, data and analysis led the auditor to be satisfied that controls were satisfactory*

**AUDITOR-GENERAL OF PAKISTAN  
AUDIT PLANNING FILE**

**CONTROL RISK ASSESSMENT FORM**

**NAME OF AUDIT ENTITY: Secretariat- Communication and Work**

**AUDIT COMPONENT:**

**AUDIT PERIOD:**

Factor	High	Mod.	Low
1. Control Environment:			
A. Control consciousness			✓
B. Organization			✓
C. Competence of personnel			✓
D. Management Policy & operating style		✓	
E. Management override		✓	
F. Reporting	✓		
G. Protection of Assets & Functions	✓		
H. Internal Audit Function	✓		
(from Environmental Internal Control Questionnaire)			

<b>Control risk assessment for the entity as whole is Moderate</b>	
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<b>Control risk is the converse of the amount of assurance that the auditor wishes to achieve from his/her tests of internal control. The amount cannot be lower than the actual control risk.</b>	
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## **GUIDANCE**

*Control risk is assessed for each audit component.*

*The form calls for the auditor to assess various factors as “high”, “moderate” or “low” risk. After all of the factors are assessed, the auditor determines, using his/her professional judgment, the control risk for the audit component being considered. In this respect, the normal guidelines are as follows:*

<i>High control risk</i>	<i>80%</i>
<i>Moderate control risk</i>	<i>50%</i>
<i>Low control risk</i>	<i>20%</i>

*The assessment for each audit component may not necessarily an average of the assessments for each of the factors listed on the form. One of the factors may be much more significant than the other factors.*

*The internal control questionnaires (ICQs) are completed at the planning stage to assist in the determination of control risk. The extent to which they would need to be completed is a matter of professional judgement. If the control environment and the control systems have not changed since the previous year, and if the auditor has tested these systems in the previous year, then the auditor may be able to assess control risk without completing the ICQs at the planning stage. If, on the other hand, there have been significant changes to the control environment and the control systems, then the auditor may need to complete the ICQs at the planning stage.*

*Once the auditor assesses control risk for each component, he/she needs to consider whether it would be cost-effective to rely on the internal controls. The auditor records, on the last row of the form, the converse of the amount of assurance that he/she wishes to obtain from the internal control structure.*

*While an assessment needs to be made for each component, the form permits the auditor to list more than one component on each form. This is because the auditor’s assessments of the various factors will likely be the same for several different objectives and components.*

**INTERNAL AUDIT DEPARTMENT, GOVERNMENT OF KPK**  
**AUDIT PLANNING-PERMANENT FILE**

**Understanding of Entity's Business – Significant Audit Areas**

Name of Entity/Organisation Communication and Work Secretariat

<b>Significant Financial Statement Components</b>	<b>Critical Audit Area Y/N</b>
<ul style="list-style-type: none"><li>• HR<ul style="list-style-type: none"><li>Hiring</li><li>Posting and transfers</li><li>Payroll</li></ul></li><li>• Budget management<ul style="list-style-type: none"><li>Developmental</li><li>Non Developmental</li></ul></li><li>• Planning and Monitoring</li><li>• Litigation</li><li>• PAC</li><li>• Procurement<ul style="list-style-type: none"><li>Consultant hiring</li><li>Enlistment of suppliers</li><li>others</li></ul></li></ul>	

## **GUIDANCE**

*The auditor should list critical audit areas/ components (including individually significant transactions and events) and their impact on the operations of the entity. For each identified significant component, the auditor can then plan the audit .*

*The list of significant components provided on the previous page is for illustrative purposes only. The list should be updated to reflect the actual components to be used on any given audit.*

## **SECTION 2**

### **Detailed Processes (Narrative and Flowcharts)**

