

**About the manual:**

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Chartered Accountants

# **Chapter-1**

## **Introduction (Internal Audit)**

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**A. SCOPE OF THE MANUAL**

The Internal Audit Manual (this manual) sets out the Internal Audit principles, policies and procedures adopted by Health Services Academy (HSA) with objective to enhance efficiency and effectiveness of organizational activities. This manual has been approved by the Board of Governors in their meeting on XX (Day) XXX (Month) 2012.

The Executive Director shall be responsible for the:

- Distribution of the manual to various process owners;
- Maintenance of the record of the holders of the manual; and

Approval of the recommended modifications to existing accounting policies and procedures.

The Heads of Departments / Process Owners shall be responsible for the:

- Implementation of the manual; and
- Monitoring of compliance with the policies and procedures in the manual

The manual comprises of the following chapters which cover all the processes related to internal audit:

- Introduction
- Organizational Chart
- Organizational Standards
- Planning Internal Audit
- Internal Audit Procedures
- Pre-auditing
- Managing and controlling internal audit information
- Gender polices and compliance
- Role of Internal Audit in fraud
- Enterprise risk management

Operational policies related to Finance, Procurement, Human Resource and Monitoring & Evaluation are covered in their respective manuals.

Where the Internal Audit staff of HSA considers that they are unable, for any reason, to comply with the policies and procedures defined in this manual, they should refer the matter to the Audit Committee through the Executive Director for resolution.

**B. OBJECTIVE**

The objective of this Manual is to provide a common basis for Internal Auditors to carry out their work at a standard consistent with the IIA Professional Practice Framework. Its policies and procedures are intended to supplement the experience, competencies, skills, and judgment of auditors in planning, conducting and reporting on audits and in managing the overall internal audit activity. The Audit Manual is meant to assist HSA internal auditors to effectively perform their auditing duties, to promote consistency of work across HSA, to provide auditors with a reference guide as to how internal auditors work.

The objective of this manual shall be met by ensuring the following:

- Risks are appropriately identified and managed.
- Significant financial, managerial, and operating information is accurate, reliable, and timely.
- Academy's resources are used efficiently and adequately safeguarded.
- Academy's operations are transacted in accordance with sufficient internal controls, good business judgment, and high ethical standards.
- Quality and continuous improvement are fostered in the Academy's internal control processes.

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**C. HISTORY OF HSA**

Health Services Academy was established in 1988 as an autonomous department under the Federal Ministry of Health and now under the Cabinet Division, Government of Pakistan, provided short courses and training for public health professionals. Since its beginnings as a training institute, the Academy has grown steadily and has established itself as the premier institute of public health in Pakistan, looking to provide more academic programmes in the near future, as well as providing an environment that focuses on excellence in academics, research, and policy-making.

Since all leading academic and research organizations require autonomous status in order to create an environment of academic excellence, the Ministry of Health promulgated an ordinance entitle Health Services Academy Ordinance, 2002 , put into place in November, 2002. Following the implementation of this ordinance from July 1, 2003, the Board of Governors has been supervising the overall affairs of the Academy.

**D. VISION, MISSION STATEMENTS AND CORE VALUES**

**D.1 VISION STATEMENT**

To be a nationally and internationally recognised centre of excellence in Public Health, contributing to the health and well-being of the People of Pakistan and around the world.

**D.2 MISSION STATEMENT**

To strengthen the capacity of public health professionals by offering excellence in teaching, research, service and policy advice.

**D.3 CORE VALUES**

- Diversity
- Innovation
- Equity
- Ethics
- Academic Freedom

**E. INTERNAL AUDIT FUNCTIONS**

The Internal Audit Unit shall be responsible for carrying out regular internal audit activity at HSA. The unit shall also provide technical assistance in financial management and accounting to various departments, however it shall not be responsible to perform any finance function.

The major functions of internal audit unit are defined as:

- Conducts reviews and evaluations of management practices and procedures at the Academy. Reviews will include but are not limited to:
- Evaluations of internal control systems to determine their adequacy for the protection of Academy's assets, the production of accurate and reliable information, and the assurance that HSA's policies and procedures, prevailing laws, contribution agreements and contractual policies are followed.
- Determinations as to whether Academy's resources are being utilized in an economical and efficient manner, including the underlying causes of any inefficiencies or wasteful practices.
- Determinations as to whether desired results or benefits are being achieved from approved programs.
- Formulating recommendations to management for improvement in, or correction of, inefficient practices and procedures.
- Conducts special studies of procedural or problem areas as requested or directed by appropriate levels of management.
- Reviews the requirements for information systems and major modifications to existing systems to ensure that they are adequately defined, properly justified, and include the necessary internal controls.
- Prepares formal reports on the results of completed reviews, discusses these reports with appropriate levels of management. Sharing of report with Executive Director and audit Committee, and other levels of management as deemed appropriate.
- Conducts follow-up on prior recommendations to determine whether management has corrected the previously reported conditions or whether such conditions still exist.
- Serves as liaison with statutory and other audit agencies.
- Operates independently of all HSA's activities to assure complete objectivity when conducting reviews and evaluations

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**F. DISTRIBUTION OF THE MANUAL AND PHYSICAL SECURITY**

The Internal Audit Manual of the HSA shall be available to the users in the following two forms:

- a hard copy available with the Internal Audit Unit; and
- an electronic copy (read only) available on the company's website, access to which will be given by the IT Department, through secure password.

Distribution of the manual whether in the form of a hard copy or an electronic copy is the responsibility of the Executive Director.

Distribution of this manual, in whole or part, shall be to only those personnel who will have to act on the basis of this manual or who would require guidance to carry out their day to day work.

Where a hard copy is required, it shall be provided against an approved request. The auditing manual request shall contain the following information:

- Date;
- Manual version number;
- Manual description;
- Custodian;
- Custodian designation;
- Signature of the requesting HOD; and
- Signature of custodian for accepting the manual.

A register shall be maintained by the HOD – Audit, in which the details of the department / personal to whom the manual is issued, shall be entered. Each hard copy of this manual shall be numbered and entered into the register prior to issuance.

The Executive Director shall also ensure that all the relevant people in the Internal Audit and other end user departments are aware that there is an electronic copy available on the company's website and shall provide a secured access through password to the relevant personnel.

Where access to this manual is being given through the website password (electronic copy) it shall be authorised by the IT department on the basis of a request approved by the HOD – Internal Audit and Executive Director.

The IT Department shall have a record of the personnel to whom electronic access of the manual has been provided.

The contents of this manual are confidential and should not be copied (physically or electronically) or distributed outside the company either in whole or in part without the prior written approval of the Executive Director. Any employee who is given access to this manual shall be required to sign an undertaking in this regard.

Where there is a change of responsibility of an employee, the copy / access that the employee has of / to this manual should be handed over to the new employee and this action shall be documented in the previous employee's handing over notes.

Where an employee leaves the employment of the HSA without another employee taking over his duties, then the copy of this manual should be returned to the HOD prior to their departure.

## **G. PROCEDURES FOR UPDATING THE MANUAL**

### **G.1. GENERAL**

It shall be the responsibility of the HOD – Internal Audit to ensure that the manual is regularly updated and periodic reviews of the manual shall be carried out for this purpose.

The manual may require changes on account of any of the following reasons:

- additional policies and procedures consequent to introduction of new services , financial reporting requirements, the level of automation or changing needs of the HSA;
- Changes in International Standards for the Professional Practice of Internal Auditing, IFRS adopted by SECP, changes in corporate laws or other statutory requirements;
- improvements to existing policies and procedures; and
- Deletions, for example, for superseded or redundant policies and procedures.
- Changes to this manual shall be reviewed and recommended by the respective HOD. The respective HOD shall send the recommended changes to the HOD – Internal Audit who shall review it with the Executive Director (for his approval) and include the same in agenda for the forthcoming meetings of the executive committee and Board of Directors for approval.

### **G.2. AMENDMENT TO THE MANUAL**

All requests for amendments to the final version of the Internal Audit Manual shall be documented on a request using the Amendment Form specified for this purpose. The Request for Amendment Form shall be raised by the Head of Internal Audit Unit. *Please refer Annexure A for a copy of "Request for Amendment Form".*

Where a new service is planned to be introduced, such a request shall be accompanied with a detailed description of the service and approved operation procedures.

The Request for Amendment Form shall be reviewed by the Executive Director (for his/her approval) and include the same in agenda for the forthcoming meetings of the Executive Committee and Board of Directors for approval.

### **G.3. AMENDMENT CONTROL LOG**

A central repository of all amendments made shall be maintained in an Amendment Control Log by the HOD – Internal Audit and shall form part of each chapter in this manual for the reference of those who shall not receive Request for Amendment Form. *Please refer to "Annexure B" for a copy of "The Amendment Control Log".*

### **G.4. AMENDMENT TO THE HARD COPY**

Any amendment to this manual shall warrant a reprinting of the affected chapter and issuance to those users who are holding hard copies. This shall be so due to the amendment of the version number of the chapter which shall be changed by the Internal Audit Unit.

On receiving the approved Request for Amendment Form, the Internal Audit Unit shall incorporate the changes in the electronic copy of the manual and then make the necessary printouts.

In the interest of economising one may choose to reprint only the modified pages. This is possible when a modification does not change the page number on which any subsequent sub headings can be found. In this case the affected pages may physically be removed from the existing copy of this manual and new pages inserted to replace them.

Where a modification shall change the page number on which a subsequent sub heading can be found then the affected chapter shall physically be removed from the existing hardcopy of this manual and the updated chapter shall be reprinted and inserted in this manual.

G.5. AMENDMENT TO THE ELECTRONIC COPY

The original electronic file containing the respective chapter that needs amendment shall be copied and saved with a new version number equivalent to the old version number plus one by the Information Technology Department, thus ensuring that the original file remains unchanged.

The amended electronic copy shall be forwarded to the IT department for replacing the existing electronic copy on the website with the amended electronic copy.

## **H. DOCUMENT CONTROL**

### **H.1 RETENTION AND DISPOSAL**

#### ***H.1.1 Policy for Retention Periods***

All documents shall be retained for a period of ten years, the responsibility of which shall be of the respective Heads of Departments. Upon expiry of the retention period the documents shall be destroyed.

Retention periods shall begin at the end of the financial year in which the document was created and settled. Where a document is being disputed then the retention period shall begin at the end of the financial year in which the dispute and the document are settled.

Retention periods shall end at the end of the financial year in which the document completes the retention period, after which the document shall be destroyed.

legal documents, etc). Documents that shall be maintained for an indefinite period of time must be kept to a minimum which shall be ensured by the respective HOD.

#### ***H.1.2 Storage of Documents***

Documents shall be stored in fire resistant filing cabinets for one year, within the access of the employees using the documents. The contents of each cabinet shall be labelled clearly to allow quick retrieval of documents when required.

After completion of the external and donor audit for a particular year, the documents shall be moved to fire resistant filing cabinets in the Archives section (Stores).

#### ***H.1.3 Destruction of Documents***

All documents shall be destroyed upon expiry of their retention period. If any documents labelled 'Indefinite' are seen, for a valid reason, to warrant disposal, approval shall be sought from HOD –Internal Audit, after which the document may be destroyed.

#### ***H.1.4 Method of Destruction***

The method of destruction of documents shall be left to the discretion of the HOD – Internal Audit, but the following principles must be observed.

- All confidential documents must be either burned or shredded;
- Other documents shall be disposed off in the fastest, most economical and environment friendly manner;
- Destruction of documents must be supervised by a committee appointed by the Executive Committee.

**ANNEXURE A – REQUEST FOR AMENDMENT FORM**

**HEALTH SERVICES ACADEMY  
REQUEST FOR AMENDMENT FORM**

Amendment No \_\_\_\_\_

Date of Amendment \_\_\_/\_\_\_/\_\_\_

Chapter	Section / sub section	Page reference	Type of amendment (addition / deletion / modification to an existing policy or procedure)	Description of amendment and reasons for amendment

Reviewed by

\_\_\_\_\_

Approved by

\_\_\_\_\_



**ANNEXURE C – RESPONSIBILITY MATRIX**

<b>ACTIVITY</b>	<b>ALL HOD</b>	<b>HOD – INTERNAL AUDIT</b>	<b>EXECUTIVE DIRECTOR</b>	<b>BOARD OF DIRECTORS</b>
<b>Manual Distribution</b>			Overall Responsibility	
<b>Approval of recommended modifications</b>			Approve	Approve
<b>Implementation of Manual</b>	Responsible			
<b>Receiving queries &amp; onwards liaison</b>	Receive Queries	Liaison with ED for approval		
<b>Non-compliance issues resolution</b>			Clarify and approve	
<b>Maintain hard-copy manual for distribution</b>		Responsible		
<b>Maintain soft-copy manual for distribution</b>	Responsible (IT)			
<b>Manual access approval</b>		Approve	Approve	
<b>Manual periodical updation</b>		Responsible		
<b>Maintaining amendment control log</b>		Responsible		
<b>Updating hard-copy manual for</b>		Responsible		

<b>amendment approval</b>				
<b>Updating soft-copy manual after amendment approval</b>	Responsible (IT)			
<b>Changes to forms / vouchers</b>		Responsible		
<b>Verification of vouchers serial numbers</b>		Overall Responsibility		
<b>Record retention</b>	Responsible	Responsible		
<b>Record storage (delegate to officer level)</b>	Overall Responsibility	Overall Responsibility		
<b>Destruction method approval</b>		Approve		
<b>Destruction of documents (Indefinite labelled)</b>		Approve		
<b>Appointment of supervising committee (destruction of records)</b>			Approve	

# **Chapter-2**

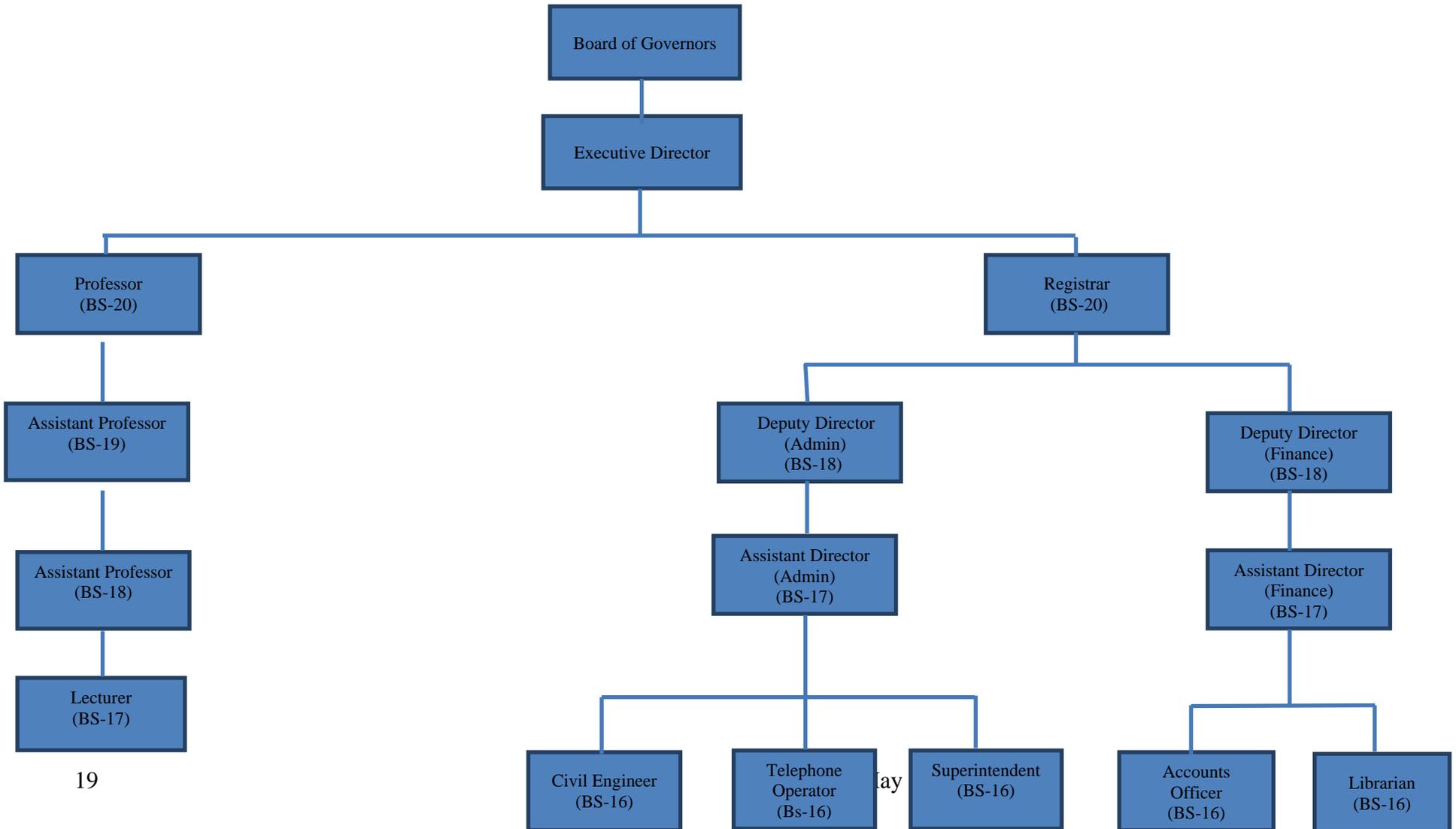
## **Organisational Chart (Internal Audit)**

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## **A. SCOPE OF CHAPTER**

This chapter outlines the structure of Internal Audit function within the overall organisational structure of Health Services Academy (HSA).

**B. ORGANIZATIONAL CHART (INTERNAL AUDIT)**



# **Chapter-3**

# **Organizational Standards**

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**A. SCOPE OF CHAPTER**

This chapter states the policies and procedures of Health Service Academy (HSA) relating to the organizational standards designed to regulate the process of Internal Audit within the organization. The standards provided in the chapter are in accordance with industry better practices and guidance provided by The Institute of Internal Auditors.

This chapter covers the following areas:

- Scope of Internal Audit
- Terms of Reference (ToR's)
- Code of Ethics
- Authority
- Independence
- Reporting Structure
- Timelines

**B. DEFINITIONS**

For the purpose of this chapter following terms shall have given description:

**B.1. ECONOMY**

Economy means acquiring resources at the lowest cost keeping in view the objectives of the organization

**B.2. EFFECTIVENESS**

Effectiveness means the extent to which an organization achieves its objectives.

**B.3. EFFICIENCY**

Efficiency refers to the relationship of inputs and outputs. It relates to utilization of resources.

**B.4. FRAUD**

Fraud may be defined as the use of deception with the intention of obtaining an advantage, avoiding an obligation or causing loss to another party

**B.5. INTERNAL AUDIT**

Internal audit is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

**B.6. INTERNAL CONTROLS**

Systematic measures (such as reviews, checks and balances, methods and procedures) instituted by an organization to conduct its business in an orderly and efficient manner, safeguard its assets and resources, deter and detect errors, fraud, and theft, ensure accuracy and completeness of its accounting data, produce reliable and timely financial and management information, and ensure adherence to its policies and plans.

**B.7. POLICY**

A guiding principle typically established by senior management that is adopted by an organization to influence and determine decisions.

**B.8. PROCEDURE**

A fixed, step-by-step sequence of activities or course of action that must be followed in the same order to correctly perform a task.

**B.9. RISK MANAGEMENT**

The identification, analysis, assessment, control, and avoidance, minimization, or elimination of unacceptable risks

**C. POLICIES**

This section contains policies for establishing internal audit organizational standards

This section has following sub sections:

Scope of internal audit

Terms of reference

Code of ethics

Authority

Independence

Reporting structure

Internal audit timeline

C.1. SCOPE OF INTERNAL AUDIT

The Executive Director (ED) in consultation with Internal Audit unit shall prepare the scope of Internal Audit. The scope shall be duly approved by the Audit Committee constituted by the Board of Governors (BoG).

The Head of Internal Audit shall ensure that all the staff at the internal audit unit has acknowledges and understands the scope.

**C.2. TERMS OF REFERENCE**

The terms of reference (ToRs) for the Internal Audit shall be formally defined by the Executive Director and approved by the Audit Committee. The ToR's for Internal Audit shall be consistent with the definition of internal auditing and with HSA's policies. The Head of Internal Audit shall sign off the ToRs at the time of accepting the departmental responsibility or/and in case any revision have been brought to the document.

The appointment and resignation of Head of Internal Audit shall be brought into the notice of Audit Committee, whereas the removal of HID shall only be possible with an approval from the Audit Committee.

C.3. CODE OF ETHICS

HSA shall have a well-defined Code of Ethics for Internal Audit Unit. The Code shall include guidance on;

- Acceptable and not acceptable behaviour in line with the HSA’s Code of Conduct and those of other relevant professional bodies.
- Be drawn to the attention of relevant staff on appointment.
- Be easily available at all times in guidance manuals.

The Internal Auditor shall abide by the code in discharge of all official duties.

**C.4. AUTHORITY**

The Internal Audit staff shall be authorized to:

- Have unrestricted access to all functions, records, property, information system and personnel relevant to the performance of their function. The documents and information entrusted to Internal Audit shall be handled with the required level of confidentiality and integrity.
- Have full and free access to the Audit Committee.
- Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives.
- Obtain the necessary assistance of personnel in units of the HSA where they perform audits, as well as other specialized services.

The Internal Audit staff shall not be authorized to:

- Perform any operational duties for HSA.
- Initiate or approve accounting transactions.
- Direct the activities of any HSA staff not employed by Internal Audit, except to the extent such members of personnel have been appropriately assigned to Internal Audit or to otherwise assist the internal auditors.

Internal Audit staff shall not have direct responsibilities nor authority over any of the activities or operations reviewed.

C.5. INDEPENDENCE

All audit activities shall remain free of influence by any organizational element. This shall include such matters as scope of audit programs, the frequency and timings of examinations, and the content of audit reports.

Where the Internal Auditor come across any sort of influence to its independence he/she shall brought this in the knowledge of the Audit Committee. The Internal Auditor also reserves the right to approach to the BoG.

C.6. REPORTING STRUCTURE

The HSA's Internal Audit Unit shall work under the supervision of Head of Internal Audit (HIA). The HIA shall have dual line of reporting. Functionally the HIA shall report to the Audit Committee whereas, administratively to the Executive Director.

Refer to Annexure A.

## C.7. INTERNAL AUDIT TIMELINE

- A written report shall be prepared and issued by the Internal Audit Unit at the conclusion of each audit, and shall be distributed to the members of the Audit Committee on biannual basis.
- The Internal Auditor shall prepare and circulate the Internal Audit Report within thirty days by the end of half year.
- Response by the relevant Head of Department in writing to the audit observation(s) shall reach to the HIA within two weeks from the date of the report.
- The Audit Committee shall meet forty five (45) days after the six month period ends to approve the internal audit report.

## **D. PROCEDURES**

This section shall contain procedures for implementing HSA’s policies for internal audit organizational structure and standards.

- Scope of Internal Audit
- Terms of Reference (ToR’s)
- Code of Ethics
- Authority
- Independence

D.1. SCOPE OF INTERNAL AUDIT

- The Head of Internal Audit (HIA) shall prepare first draft of internal audit scope in accordance with the International Standards on Internal Auditing and forward it to the ED for review.
- The ED shall review the scope before sharing it with the members of Audit Committee.
- The Audit Committee in its first meeting shall approve the scope for internal audit unit.
- The scope can be reviewed by the audit Committee for any changes or updates when required.

Refer to Annexure B for a sample internal audit scope.

## D.2. TERMS OF REFERENCE

- The purpose, authority and responsibility of internal auditor shall be defined in the Terms of Reference by the Executive Director and shall be:
  - o Consistent with the definition of internal auditing and with HSA's policies
  - o Specify the requirements for the appointment of the Internal Auditor, including professional skills and experience
  - o Establish the relationship of the Internal Auditor with the Finance Unit
  - o Establish internal auditor's right of access to all records, assets, personnel and premises, and its authority to obtain such information as it considers necessary to fulfil its responsibilities
- The Audit Committee shall approve the ToR's prepared by the ED.
- The HIA shall sign off ToR's at the time of taking charge of his/her responsibilities as the HIA .
- For sample ToR's and Job description of HID, refer to Annexure C & D.

D.3. CODE OF ETHICS

The Internal Audit staff shall abide by the code of ethics in all their official conducts.

Refer to the Annexure Efor detailed code specified by the Institute of Internal Auditors.

**D.4. AUTHORITY**

The internal auditor shall exercise his/her judgement in use of authority as defined in internal audit policies, it may

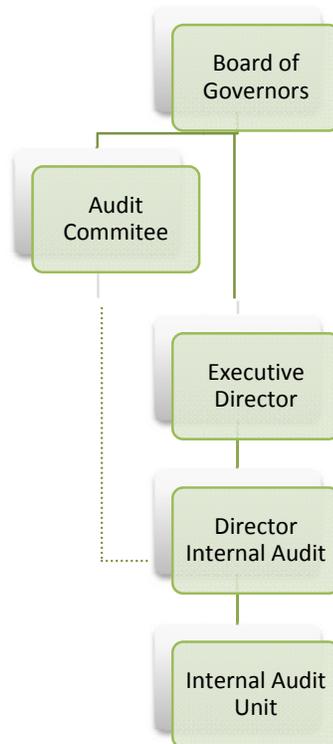
- Communicate verbally or in writing with any current employee, full or part time, of HSA in order to obtain information.
- Communicate verbally or in writing with a former employee of HSA in order to obtain information.
- Examine all documents of HSA.
- Examine all or any of the asset(s) in the name or use of HSA
- Make contact with any consultant or external supplier of services considered to have information.

## D.5. INDEPENDENCE

To exercise the independence in the internal audit functions, the internal auditor shall;

- Ensure that appropriate strategy has been selected while conducting the internal audit.
- Ensure that investigative independence has not been impaired by the management or any other authority. Any queries regarding an activity and accounting treatment shall be answered by the organization. The collection of audit evidence is an essential process, and shall not be restricted in any way by HSA.
- Ensuring that the reporting independence has been maintained by choosing to reveal to the audit committee any information they believe should be disclosed

**ANNEXURE-A**  
**INTERNAL AUDIT REPORTING STRUCTURE**



**ANNEXURE – B****SCOPE OF INTERNAL AUDIT**

- The IA work shall determine that Health Service Academy’s risk management, control, and governance processes are adequate and functioning and ensures the following assertions:
- Risk management processes are effective and significant risks are appropriately identified and managed.
- Ethics and values are promoted within HSA.
- Financial and operational information is accurate, reliable and timely.
- Employee’s actions are in compliance with policies, standards, procedures and applicable laws and regulations.
- Resources are acquired economically, used efficiently, and adequately protected.
- Programs, plans and objectives are achieved.
- Quality and continuous improvement are fostered in the organization’s risk management and control processes. Significant legislative or regulatory compliance issues impacting the organization are recognized and addressed properly.
- Effective organizational performance management and accountability is fostered
- Coordination of activities and communication of information among the various governance groups occurs as needed.
- The potential occurrence of fraud is evaluated and fraud risk is managed.
- Information technology governance supports HSA’s strategies, objectives and the organization’s privacy framework.

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**ANNEXURE – C**  
**TERMS OF REFERENCE**

**Role**

The Internal Audit Unit is responsible for conducting an objective and independent appraisal of all the Academy's activities, financial and otherwise. It should provide a service to the whole organization, including Board of Governors and all levels of management. It is not an extension of, nor a substitute for, good management, although it can have a role in advising management. The Internal Audit Unit is responsible for evaluating and reporting to Audit Committee and the Executive Director, and thereby providing them with assurance on the arrangements for risk management, control and governance. It remains the duty of management, not the Internal Auditor, to operate these arrangements, to determine whether or not to accept audit recommendations and to recognize and accept the risks of not taking action.

**Scope**

All the Academy's activities, funded from whatever source, fall within the remit of the Internal Audit Unit. The Internal Audit unit shall consider the adequacy of controls necessary to secure propriety, economy, efficiency and effectiveness in all areas. It shall seek to confirm that management have taken the necessary steps to achieve these objectives and manage the associated risks.

The scope of internal audit work should cover all operational and management controls and should not be restricted to the audit of systems and controls necessary to form an opinion on financial statements. This does not imply that all systems will be subject to review, but that all will be included in the audit risk assessments and hence considered for review following the assessment of risk. It follows that if internal audit is to give an opinion on the whole system then that will include academic operations. It is not within the remit of the Internal Audit Service to question the appropriateness of policy decisions. However, internal audit is required to examine the arrangements by which such decisions are made, monitored and reviewed.

The Internal Audit Unit may also conduct any special reviews requested by Board of Governors, Audit Committee or Executive Director, provided such reviews do not compromise its objectivity or independence, or achievements of the approved audit plan.

**Responsibilities**

The Head of Internal Audit is required to give an opinion to the Audit Committee, on the adequacy and effectiveness of the arrangements for risk management, control and governance; and for economy, efficiency and effectiveness (value for money) within the Academy; and the extent to which Committee can rely on these. He or she should also comment on other activities for which the governing body is responsible, and to which the Internal Audit Unit has access. Internal Audit are not required to provide an opinion on the adequacy of management controls over the production of data, but will audit these controls regularly to provide Audit Committee with the information required to form an opinion on these matters.

To provide the required assurance, the Internal Audit Unit will undertake a programme of work based on a strategy, authorized by Audit Committee. The programme will evaluate the arrangements in place:

- To establish and monitor the achievement of organizational objectives.
- To identify, assess and manage risks to those objectives.
- To advise on, formulate and evaluate policy within the responsibilities of the Executive Director.
- To ensure compliance with policies, laws and regulations.

- To ascertain the integrity and reliability of financial and other information provided to management and stakeholders, including that used in decision making.
- To ascertain that systems of control are laid down and operate to promote the most economic, efficient and effective use of resources and to safeguard assets.
- To ascertain the effectiveness of management controls over the production of data.

**Independence**

All audit activities of Internal Audit Unit shall remain free of influence by any organizational element. This shall include such matters as scope of audit programs, the frequency and timings of examinations, and the content of audit reports.

The Internal Audit Unit has no executive role, nor does it have any responsibility for the development, implementation or operation of systems. However, it may provide independent and objective advice on risk management, control and governance, value for money and related matters, subject to resource constraints.

**Right to Access**

The Internal Audit Service has rights of access to all the Academy's records, information and assets which it considers necessary to fulfill its responsibilities. The Head of Internal Audit has a direct access to the Chairman of the Audit Committee and the Executive Director. In turn, the Internal Audit Unit agrees to comply with any requests from the external auditors or the grant auditors for access to any further information, files or working papers obtained or prepared during audit work that they need to discharge their responsibilities.

**Reporting**

The Head of Internal Audit must submit bi-annual reports to Audit Committee. The report should give an opinion on the adequacy and effectiveness of the Academy's arrangements for: risk management, control and governance, economy, efficiency and effectiveness and the extent to which the governing body can rely on them. The Auditor should also prepare, before the beginning of the period, a long-term strategy document supported by an assessment of resource needs. These should be submitted to Council for approval following consultation with relevant managers and the Executive Director, and after consideration by the Audit Committee.

The Head of Internal Audit is administratively reportable to the Executive Director and functionally to the Audit Committee for the performance of the service. He or she should also report audit findings to relevant managers and draw the attention of the Audit Committee to key issues and recommendations.

The Head of Internal Audit should usually produce its reports, in writing, within 45 days of completion of each audit, giving an opinion on the area reviewed and making recommendations where appropriate. Managers will be required to respond to each audit report, usually within 14 days of issue, stating their proposed action with a timetable for implementing agreed recommendations. Material recommendations will usually be followed up some six to twelve months later. In addition the Audit Committee will monitor implementation of audit recommendations.

The Head of Internal Audit will report to the Executive Director any serious weaknesses, significant fraud or major accounting breakdown discovered during the normal course of audit work.

**Liaison**

The Internal Audit Service will liaise with the External Auditors and the grant auditors to optimize the audit services provided to the Academy.

**ANNEXURE – D**  
**JOB DESCRIPTION**

**Overall Role**

Establishing an effective and independent internal audit service for the management support of HSA. Managing a sound Internal Control System within the Academy and planning, supervising and reporting the results of all internal audits and related assignments with recommendations wherever applicable.

**Specific Responsibilities**

- Conducting Internal Control evaluation and risk assessment to identify loopholes and areas requiring management intervention to prevent frauds, embezzlements, misappropriations, misuse and wastage and ensuring that objectives of the organization are achieved economically, efficiently and effectively;
- Preparing an Annual Internal Audit Plan based on risk assessment including tasks, assignments and timelines for completion for each task and main activities, personnel to be employed, and reporting results of audit;
- Preparing special reports when asked for by the management on various aspects of financial management, including asset management and security, financial reporting, decision support systems, management Information systems;
- Prepare for and carry out internal audit twice a year and/or when asked by the Executive Director or Audit Committee and prepare department-wise internal audit reports to be presented to the Audit Committee.
- Assisting HSA in engaging an independent chartered accounting firm to assess internal controls over contract management, payments, and ex-post review of procurements etc when required.
- Facilitating the statutory and grant auditor's undertaking periodic reviews and annual audit of HSA financial transactions.
- Specifying internal checks including pre-audit checks, adherence to policies procedures and compliance with rules, laws and regulations to ensure that payments to contractors/consultants are made by them in accordance with the stipulated guidelines of the government and donor agencies and
- Ensuring that systems exist for generation of accurate and reliable financial and other information;
- Conducting any other related task that may be assigned by the management.

**Education:**

- Chartered Accountant(ICAP)
- Certified Chartered Accountant(ACCA) or Certified management Accountant (ICMA/CIMA)
- Certified Internal Auditor

**ANNEXURE – E****CODE OF ETHICS**

This Code shall be the standard of ethics for Internal Auditors working for HSA. It shall be expectations for the performance of Internal Audit work and does not replace any requirements for Internal Auditors to comply with organisational or professional standards or codes of conduct.

It shall have four main principles namely; Integrity, Objectivity, Competence and Confidentiality

**• INTEGRITY**

Internal auditors shall:

- o Perform their work with honesty, diligence, and responsibility
- o Observe the International Auditing Standards and make disclosures expected by law and profession
- o Not knowingly be a part of any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to HSA
- o Respect and contribute to the legitimate and ethical objectives of HSA

**• OBJECTIVITY**

Internal Auditors shall:

- o Not participate in any activities or relationships that may impair or be presumed to impair their unbiased assessment
- o Not participate in any activities or relationships that may be in conflict with the interests of HSA
- o Not accept anything that may impair or be presumed to impair their professional judgment; and

**• COMPETENCE**

Internal Auditors shall:

- o Engage only in those services for which they have the necessary knowledge, skills and experience
- o Continually improve their proficiency and the effectiveness and quality of their services

**• CONFIDENTIALITY**

Internal auditors shall:

- o Be prudent in the use and protection of information acquired in the course of their duties
- o Ensure that any disclosure of information is authorised only on the basis that there is a legal or professional requirement to do so
- o Not use information for any personal gain or in any manner that would be contrary to the law or detrimental to objectives of HSA.

# **Chapter-4**

## **Planning**

### **Internal Audit**

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**A. SCOPE OF CHAPTER**

This chapter states the policies and procedures of the internal audit (IA) unit for planning of bi-annual internal audit activities.

Nothing in this chapter shall have an effect on the day to day pre-audit activities of the unit; neither shall it apply to any special audit assignment requested by Executive Director or the Audit Committee.

This chapter covers the following areas:

- Internal Audit Plan
- Communication and approval
- Auditee notification

**B. DEFINITIONS**

For the purpose of this chapter following terms shall have given description:

**A.1. AUDIT PLAN**

This shall refer to the process of developing a general strategy and detailed approach for expected timing, nature and extent of audit.

**A.2. INTERNAL CONTROLS**

This refers to systematic measures (such as reviews, checks and balances, methods and procedures) instituted by an organization to conduct its business in an orderly and efficient manner, safeguard its assets and resources, deter and detect errors, fraud, and theft, ensure accuracy and completeness of its accounting data, produce reliable and timely financial and management information, and ensure adherence to its policies and plans.

**A.3. POST- AUDITING**

It involves review of documents or a series of transactions after the transaction has been recorded or consummated.

**A.4. PRE-AUDITING**

It involves examination of documents supporting a transaction or a series of transactions before they are paid for and recorded.

**A.5. SPECIAL AUDIT**

This refers to the audit to review any specific aspect of the overall organization or business, which carries a specific problem or suffers from specific issues, which requires investigation and special reporting.

**A.6. RISK ASSESSMENT**

The process of determining the likelihood that a specified negative event will occur.

## **C. POLICIES**

This section contains policies for following aspects of internal audit functional requirements

- Internal Audit Plan
- Communication & Approval
- Approval of the IA Plan

C.1 INTERNAL AUDIT PLAN

The Head of Internal Audit (HIA) shall develop the initial audit objectives and the requisite audit methodology to satisfy those objectives.

Appropriate members of management shall be notified that their function, activity, department, or unit has been selected for audit.

In the planning phase the HIA shall develop initial audit objectives articulating what the internal audit is expected to accomplish. The audit objectives shall define the audit purpose, establish the direction for detailed audit work, and provide the focus for formulating subsequent findings. All planning, evidence gathering, and data evaluation shall begin with the audit objectives and the audit shall end when the HIA has sufficient and appropriate evidence to write a report which satisfies the audit objectives.

**C.1.1 Internal audit risk assessment**

The internal audit shall establish the risk assessment by identifying key programs, process and projects (auditable areas). The following risk categories shall be considered before development of Internal Audit Plan:

- Strategic Risk: Impairment to the strategic mission of the HSA.
- Operational Risk: Impairment of the ability to carry out day-to-day operations of HSA.
- Compliance Risk: Failure to comply with laws, regulations and internal policies designed to safeguard the HSA.
- Financial Risk: Loss of financial resources or assets.
- Reputational Risk: Risk that public image or reputation is damaged by actions of a unit or individual connected to HSA.

The internal audit shall develop 5 rankings against the risk factor identified as;

High	High to Medium	Medium	Medium to Low	Low
5	4	3	2	1

C.2 COMMUNICATION & APPROVAL

The Audit Plan developed by the internal audit and reviewed by the Executive Director shall be shared with the Audit Committee. The Committee shall formally approve the plan before commencement of the plan.

**C.3 AUDITEE NOTIFICATION**

After the Internal Audit plan is approved, the next step in the planning phase shall be to notify the auditee of the audit, except in circumstances where fraud and/or irregularities may be suspected.

The internal audit plan shall be notified to the relevant Head of Departments (HODs) at least before fifteen (15) days from the start of internal audit activity.

In notifying the auditee of a pending audit, the HIA shall at minimum communicate the following information:

The activity name or a brief description of the function, activity, department, or unit of the HSA to be audited

- The type of audit to be conducted and the audit objectives and scope
- The dates of the planned audit
- A request of any required documentation;

Where any of the HODs have any concern over the schedule or process of internal audit activity, he/she shall inform the HID at least before seven (7) days from the start of the activity.

**D. PROCEDURES**

Internal Audit planning shall be carried out by the internal audit unit. The IA unit shall adopt the procedures below to prepare and circulate the internal audit plan. This chapter contains procedures for the following aspects of IA planning:

- Internal audit plan
- Communication and approval
- Auditee notification

## D.1 INTERNAL AUDIT PLAN

The audit officer shall develop the initial audit plan.

The HIA shall review the draft plan keeping in view the objective for planning, with consideration for any feedback provided by the Audit Committee, the Executive Director, and other relevant members of management.

Please refer to annexure A for a template for internal audit plan.

### *D.1.1 Basis for the plan*

The internal auditor shall obtain a level of knowledge of HSA sufficient to enable the identification of events, transactions, policies and practices that may have a significant effect on the financial information. Following are some of the sources wherefrom the internal auditor shall obtain such knowledge:

- Risk assessment as per policy.
- Previous experience with various departments and management levels.
- Legislation and regulations that significantly affect HSA.
- HSA's policies and procedure manuals.
- Minutes of the meetings of board of directors and important committees of the board such as the executive committee and audit committee.
- Management reports/ internal audit reports of prior periods.
- Newspaper/ industry journals.
- Discussion with management and concerned staff.
- Visits to HSA facilities etc., to obtain first-hand information regarding the activities of the Academy.
- Visits to the HSA's department where the accounting and other documents are generated and maintained.

### *D.1.2 Contents of the plan*

The HIA after evaluating various sources shall consider the following for devising internal Audit Plan;

- Include the internal audit department's scope and objectives.
- Explain how the audit plan was developed. It shall usually be based on a standardized risk assessment; discussions with management; evaluations of prior audit results; inclusion of audits mandated by regulatory bodies or parent companies; and management requests.
- Provide a summary of the HSA's background, regulatory environment and current operations as an aid to readers only if required.
- Describe the methodology used by the audit unit to assign risk to individual audit areas or projects. Please refer to Annexure B for risk assessment template.
- Describe the structure of the internal audit unit, providing organization charts as needed. Include internal audit timeline.
- Document significant changes in the internal audit unit's structure or personnel since the last audit plan, or changes that are planned for the coming year.
- Provide a brief description of each audit planned for the year, including scheduled audit time and general audit scope.

D.2 COMMUNICATION & APPROVAL

- The HIA shall in consultation with Executive Director finalize the plan.
- The Executive Director shall approve the draft before submitting the plan to the Audit Committee.
- The HIA shall present the quarterly audit plans for the next financial year to the Audit Committee during the last audit committee meeting of current financial year.
- The member of Audit Committee shall approve the plan for the next year by signing the internal audit plandocument.

**D.3 AUDITEE NOTIFICATION**

After taking approval from audit committee the auditable departments/units shall be notified.

- The HIA shall provide the notification either through a letter or email to the relevant Head of departments.
- The notice shall be duly signed by the Executive Director and HIA. Where the notice is being email, it shall be copied to the Executive Director
- All the recipients of the notice shall acknowledge the receipt in due course In case the audit plan was emailed “read by recipient” option shall be used to confirm receipt.
- Where any HOD has any concern over the schedule or process of the audit it shall be communicated to the audit unit in writing and copied to ED.

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**ANNEXURE – A: INTERNAL AUDIT PLANNING (TEMPLATE)**

<b>Date</b>	
<b>Approved By</b>	
<b>Reviewed By</b>	
<b>Prepared By</b>	

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**1. General Information****1.1 Internal Audit Team**

The internal audit team, with roles and responsibilities, includes the following people:

- *<insert internal audit names and team roles>*

**1.2 Duration of Internal Audit**

The duration of this internal audit will be for *<insert time period>* commencing on *<insert date>*.

It is anticipated that the fieldwork, working papers and drafting of deliverables will be completed by *<insert person/team completing this work>*.

**1.3 Location of Internal Audit**

The location of the internal audit will be performed at *<insert location>*.

It is predicted that a site visit to *<insert location>* will be conducted during the course of this review *(if required)*

**2. Internal Audit Objective and Scope****2.1 Internal Audit Objective**

The objective of this review is to *<insert internal audit objective>*.

**2.2 Internal Audit Scope and Approach**

The scope of this review includes an assessment of *<insert text here>*. Specifically, this review will include:

- *<insert text here>*
- *<insert Audit Period here>*

**2.3 Deliverables**

Internal Audit deliverables will consist of the following:

- *<insert list of deliverables>*

It is planned that the above deliverables will be delivered to you by *<insert date>* for your review and subsequent discussion.

**3. Organizational processes defined for Internal Audit Activity**

- *<Insert processes defined by the internal audit unit or HSA as a whole>*

**4. Organizational Risk Assessment**

*<Risk analysis made within the framework of the strategic goals and objectives of HSA and the results obtained at the end of such analysis shall be presented >*

**5. Work Programs & Schedules**

<i>Sr No</i>	<i>Functions to be audited</i>	<i>Expected review date</i>

**6. Key concerns of management (if any).****7. Head Of Internal Audit Sign-off**

**ANNEXURE B: RISK ASSESSEMENT TEMPLATE**

Auditable Areas < define processes >	Strategic Risk	Operational Risk	Compliance Risk	Financial Risk	Reputational Risk	Average Risk
<b>Human Resource</b>						
Salary						
Recruitment						
Annual appraisal & promotions						
Deductions						
Loans						
Resignation and termination						
Employee grievances						

The internal audit shall develop 5 rankings against the risk factor identified as;

High	High to Medium	Medium	Medium to Low	Low
5	4	3	2	1

# **Chapter-5**

# **Internal Audit Procedures**

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**A. SCOPE OF CHAPTER**

The chapter comprises of internal audit programming techniques and procedures to be adopted during the internal audit activity. The chapter covers the following areas

- Internal Audit Programs
  - Fixed Asset Management
  - Advances, Deposits, Prepayments & Other Receivable
  - Cash & Bank
  - Accrued expense/ Payables
  - Funds
  - Income/Receipts
  - Other Admin Expense
  - Procurement
  - Human resource
  - Information Technology

Policies related to Finance, Procurement, Human Resource and other operational areas are covered in their respective manuals. The role of internal audit unit is to ensure compliance with the policies and procedures applicable in all the operational activities.

**B. DEFINITION**

For the purpose of this chapter following terms shall have given description:

**B.1. ACCRUED EXPENSES**

Accrued expense refer to an accounting expense (current liability) recognized on the company's books before it actually is paid for.

**B.2. AMORTIZATION**

Amortization refers to expensing the acquisition cost minus the residual value of intangible assets (often intellectual property such as patents and trademarks or copyrights) in a systematic manner over their estimated useful economic lives so as to reflect their consumption, expiry, obsolescence or other decline in value as a result of use or the passage of time.

**B.3. DEPRECIATION**

The periodic cost assigned for the reduction in usefulness and value of a long-term tangible asset.

**B.4. DISASTER RISK MANAGEMENT**

The process of minimising the risk of disaster for a given system/society/group through taking action to minimise their vulnerability to, and maximising their capacity to cope with, a man-made or natural hazard.

**B.5. IMPAIRMENT**

Impairment of Assets seeks to ensure that an entity's assets are not carried at more than their recoverable amount (i.e. the higher of fair value less costs to sell and value in use). With the exception of goodwill and certain intangible assets for which an annual impairment test is required, entities are required to conduct impairment tests where there is an indication of impairment of an asset, and the test shall be conducted for a 'cash-generating unit' where an asset does not generate cash inflows that are largely independent of those from other assets.

**B.6. INTERNAL AUDIT PROGRAM**

Internal Audit program refers to a systematic, independent, and documented process for obtaining audit evidence and evaluating it objectively to determine the extent to which audit criteria are fulfilled.

## **C. POLICIES**

This section contains policies for implementing HSA's internal audit programs for a number of segments covered in internal audit scope.

### **Internal Audit Programs**

C.1. INTERNAL AUDIT PROGRAMS

Internal Audit (IA) unit shall prepare in advance, an internal audit program for conducting an effective and systematic internal audit for the period.

Before setting up the entire internal audit program the internal audit shall review:

- Policies and procedures
- Prior audit reports
- External auditor management reports
- Regulatory examination reports
- Related information on laws and regulations

The program shall incorporate all of the auditable areas and procedures required to prepare the internal audit report.

The pre-designed program shall allow for necessary changes as and when require.

## **D. PROCEDURES**

This section contains procedures for implementing HSA's policies for internal audit programs for a number of segments covered in internal audit scope.

**Internal audit program**

**Fixed asset management**

**Advances, deposits, prepayments & other receivable**

**Cash & bank**

**Accrued expenses/payables**

**Funds**

**Income/ receipts**

**Procurement**

**Operational & administrative expenses**

**Human resource**

**Information technology**

## D.1. INTERNAL AUDIT PROGRAM

For drawing up periodical internal audit program, the available working days in such internal audit period shall be worked out by the Internal Audit Unit.

- For conducting outstation audits, transit time shall have to be provided.
- Care shall be taken while drafting the program to include all important areas for review, and depending upon the strength of the audit personnel, as many departments / units as possible should be covered in the audit program.
- To minimize objection of Statutory / Govt. Auditors on HSA's accounts, their previous observations and objections should be kept in view while preparing the program.
- The audit work shall be allotted among the Internal Audit personnel by the Head of Internal Audit (HIA), as far as practicable, shall adhere to the approved program. Any deviation from the approved audit program found necessary shall be made with the concurrence of the Executive Director.
- Review policies and procedures to determine adequacy. Ensure that policies and procedures have been communicated to all appropriate personnel.
- Review prior reports to determine whether corrective action has been successfully implemented.
- Areas that shall be covered by the audit program include the audit objectives, test procedures, sample size, sample selection, time period, reports for sample selections, reports and documents subject for review as well as attributes for testing.

### ***D.1.1. Fixed asset management***

Internal audit programs for fixed assets ensure:

Fixed assets are completely and accurately recorded

- All recorded fixed assets actually exist.
- Fixed assets are recorded at appropriate values.
- Fixed assets recorded are owned by the HSA and title is also in the name of HSA.
- Depreciation / amortisation / impairment expense and gain/ loss on disposal has been accurately calculated and appropriately disclosed.
- Fixed assets are presented and all disclosures have been given in accordance with the relevant IASs.
- Fixed are used for intended purposes
- HSA's policies regarding fixed assets are being followed.

Refer to Annexure A for sample program.

### ***D.1.2. Advances, deposits, prepayments & other receivable***

The internal audit program shall ensure whether;

- Advances, deposits, prepayments & other receivables are completely and accurately recorded.
- All recorded advances, deposits, prepayments & other receivables actually exist.

- 
- Advances, deposits, prepayments & other receivables are recorded at appropriate values and all bad and doubtful balances have been provided for/ written off.
  - Advances, deposits, prepayments & other receivables recorded are the right of HSA.
  - Advances, deposits, prepayments & other receivables are presented and all disclosures have been given in accordance with the relevant IASs.
  - Advance, deposits, prepayments & other receivables are being approved and recorded as per HSA's policies.

Refer to Annexure B for sample program

#### **D.1.3. Cash & bank**

The internal audit program shall ensure;

- All cash and bank balances are completely and accurately recorded.
- All recorded cash and bank balances actually exist.
- All cash and bank balances are recorded at appropriate values. All cash and bank balances recorded are owned by HSA and title is also in the name of HSA.
- All cash and bank balances are presented and all disclosures have been given in accordance with relevant IASs.
- HSA's policies for cash and bank are being followed.

Refer to Annexure C for sample program.

#### **D.1.4. Accrued expenses/payables**

The internal audit unit shall prepare auditing procedures specifically to ensure

- To ensure that accrued expenses represent valid claims by suppliers/vendors against goods delivered or services rendered to the Academy.
- To ensure that all goods and services received by the Academy have been accounted for in the books of HSA on a timely basis.
- To ensure that liability is recorded at the correct amount.
- To ensure that payables have been presented, classified and disclosed in the financial statements in accordance with the requirements of applicable financial reporting framework.
- HSA policies and procedures regarding accrued expenses are being followed.

Refer to Annexure D for sample program.

#### **D.1.5. Funds**

The internal audit unit shall prepare and maintain procedures for Academy's Fund audit. The procedures shall ensure that all the funds have been received and utilized as per fund agreements, HSA policies and procedures and reported as per relevant International Reporting Standards.

Refer to Annexure E for sample program

#### **D.1.6. Income/ Receipts**

The internal audit unit shall prepare and maintained procedures for Academy's receipts from all sources including but not limited Academy's hostel and fee income.

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Ensure whether the HSA's policies and procedures for income and receipt are being followed.

Refer to Annexure F for sample program.

**D.1.7. Procurement**

Internal Audit shall map procedures for auditing all kind of procurements carried out by HSA. The audit procedures shall be designed in such a manner that it;

- Determine the adequacy of internal controls over purchases, both in terms of existence and use.
- Verify whether all purchases have been updated in inventory records, all payments on account of purchases represent values of items purchased and taken into inventory, and, generally whether all purchases have been accounted for.
- Verify whether the items, and quantities of the items, purchased are reasonable and within the justifiable requirements of the Auditee.
- Ascertain whether descriptions, classifications, and, related disclosures are adequate and not misleading.
- Determine whether the purchase management function is directed towards the accomplishment of organizational objectives, targets and goals.
- Determine whether the procurements are in compliance with applicable Government or Donors regulations.

Refer to Annexure G for sample program.

**D.1.8. Operational & Administrative Expenses**

The internal audit shall prepare and maintain a minimum list of verification procedures for various expenses related to POL, entertainment, building and vehicle maintenance shall be included. Ensure whether HSA policies and procedures regarding admin expenses in being followed.

Refer to Annexure H for sample program.

**D.1.9. Human resource**

The Internal audit unit shall prepare and maintain procedures to ensure compliance with HSA policies and procedures for

- Appointment of new employees
- Promotions/Grade reviews
- Resignations and dismissals
- Leave
- Employees Provident Fund (EPF)
- Intimation to Payroll Section regarding changes in salaries/wages
- Arrangement for Further Education and Training
- Employee grievances and disciplinary actions.

Refer to Annexure I for sample program.

***D.1.10. Information technology***

Internal Audit unit shall develop and maintain procedures for review of;

- Current Information System(s)
- System Security Plan
- Disaster risk management and contingency plan
- HSA policies and procedures are being followed.

Refer to Annexure J for sample program.

## ANNEXURE A

## FIXED ASSETS MANAGEMENT

The internal audit shall ensure compliance with HSA policies and procedures regarding fixed assets management. It shall design procedures to ensure that all control activities designed within HSA also comply with HSA's policies and procedures.

S.No	Audit Procedures	Done by	W.P.Ref
	INTERNAL CONTROL FRAMEWORK		
1.	Assess the reasonableness of design of system of internal control by enquiring relevant HSA's personnel and documenting the same. Identify the preventive (exercised before occurrence of transactions and event) and detective (exercised after occurrence of transactions and event) controls established by management to support its assertions.		
2.	Check on sample of selected transactions covering the whole period that all preventive controls are exercised on all transactions.		
3.	Check that proper fixed assets register has been maintained and entries are made in the register on prompt and consistent basis and the same is reconciled with general ledger and physically verified assets on periodical basis.		
4.	Check on a sample of transactions that detective controls are appropriately exercised and in case of any detection of error/fraud, proper steps have been taken to avoid recurrence of the same.		
5.	Ensure that management does not override the designed controls by: <ul style="list-style-type: none"> <li><input type="checkbox"/> Enquiring from the designated staff person</li> <li><input type="checkbox"/> Remain sceptical during performing test of design and test of effective operation</li> </ul>		
6.	Document the conclusion after performing test of controls and required level of assurance from substantive procedures.		
	ANALYTICAL PROCEDURES		
1.	Assess the appropriateness of depreciation/amortisation method and rate in view of the flow of economic benefits and useful life of the assets.		

S.No	Audit Procedures	Done by	W.P.Ref
2.	Check the reasonableness of depreciation expense by applying depreciation rate to closing cost/carrying value as per the method adopted		
3.	Document logical reasons for major additions and disposals made during the period and check whether the additions are in accordance with the objects of HSA.		
4.	Obtain movement schedule of tangible and intangible fixed assets for cost, accumulated depreciation and impairment. Check casting and cross casting of the schedule.		
5.	Trace opening balances from fixed assets register, general ledger and last period's working papers.		
	DETAIL TESTING		
1.	<p>Make a selection of fixed assets held by HSA at year-end and physically inspect them to ensure that:</p> <p>(a) Asset is owned and held by HSA.  (b) Remaining useful life appears to be correct  (c) No new / further impairment is needed</p>		
2.	<p>For selected additions during the current period:</p> <p>(a) For purchases in current year, obtain/see capital expenditure approvals and vendor's invoices.  (b) Ensure that additions to fixed assets do not include any amount of a nature of revenue expenditure.  (c) Ensure that where full payment has not been made for whatsoever reason, asset is recorded at full cost and balance has been recognized as liability.  (d) Review the entity's capitalization policy and check whether the assets are recognized as per the criteria laid by the policy</p>		

S.No	Audit Procedures	Done by	W.P.Ref
3	For selected assets disposed of during the current period: (a) Obtain/see disposals approval (b) Examine documents authorizing disposal. (c) Examine documents supporting amounts for which assets were sold e.g. cash receipts (d) Calculate gain or loss on disposal of fixed assets		
4.	To check depreciation expense: (a) Determine the reasonableness of accounting policy and depreciation method, rates and their consistency with prior years. (b) Check calculation of depreciation of selected assets.		
5.	Ensure that none of the assets is impaired or the recoverable amount of an asset is not less than its carrying amount. If the carrying amount of an asset is more than its recoverable amount, that same should be reduced to recoverable amount recognising the reduction as impairment loss.  Ensure that any subsequent addition should be depreciated over remaining useful life and not simply depreciated by applying the depreciation rate.		
6.	Inspect evidence of ownership e.g. vehicle registration, property documents, machinery import documents etc.		
7.	Ascertain the nature of each significant intangible asset by inquiry or reviewing information contained in prior-period's working papers.		
8.	Ensure that all intangible assets fully comply with the definition (identifiable, control and flow of economic benefits) and recognition criteria of the IAS 38 i.e. (a) Flow of economic benefits to enterprise is expected in future, and (b) Cost of the asset shall be determined		

S.No	Audit Procedures	Done by	W.P.Ref
9.	For selected intangible additions during the year:- (a) Approval in Board meeting (if required) (b) Trace the recorded value to supporting documents e.g. independent valuation for purchases in current year. (c) Obtain authorization or board minutes.		
10.	For selected intangible assets disposed-off during the year:- (a) Examine supporting documents (e.g. cash receipts). (b) Calculate gain or loss on sale of assets		
11.	Determine that HSA's accounting policies for amortization are appropriate and applied consistently. See that intangible assets with indefinite life are subject to impairment review.		
12.	For additions in leased assets during the year, check from lease agreements that the lease is a finance lease in substance.		
13.	Ensure that depreciation on leased assets is calculated on the same rates as for owned assets.  If there is no reasonable certainty that the lessee shall obtain ownership by the end of the lease term, the assets should be fully depreciated over the shorter of the lease term or its useful life.		
14.	For selected additions to CWIP during the year:- (a) Check supporting documents like vendors' invoices, contractor bills, and other evidences. (b) Check proper authorization and approval.		
15.	For selected transfers to fixed assets during the year, check contractor certificates of completion of project and proper approval thereof and examine the stage of completion.		
16.	For items stuck-up for considerable period of time, inquire about its status from the management.		

S.No	Audit Procedures	Done by	W.P.Ref
17.	Incaseofrevalued assetsensurethat <ul style="list-style-type: none"> <li><input type="checkbox"/> Entire class of assets has been revaluedonperiodicalbasis</li> <li><input type="checkbox"/> Anyasset's revaluation results in deficit should not be adjusted against otherassets'surplus but shouldbeimmediatelycharged.</li> <li><input type="checkbox"/> Depreciationischargedonrevalued amountandremainingusefullife</li> <li><input type="checkbox"/> Revaluedamount and incremental depreciationshouldbetransferredto othercomprehensiveincome</li> </ul>		
18.	Ensurethatclosingbalances asperour working paperfileareinmatchwith generalledger.		
19.	Determine thatdisclosures havebeen made in accordance with the requirements of applicable IFRS and IASs.		

## ANNEXURE B

## ADVANCES, DEPOSITS, PREPAYMENTS &amp; OTHER RECEIVABLE

Internal audit unit shall draft procedures to ensure that HSA's policies and procedures are complied in recording and approving advances, deposit, prepayment and other receivables. Activities in HSA are designed to ensure reasonable internal controls are in place and comply with HSA policies.

S.No.	Audit Procedures	Done by	W.P.Ref.
	INTERNAL CONTROL FRAMEWORK		
1.	Assess the reasonableness of design of system of internal control by enquiring relevant personnel and documenting the same. A walk through test would be necessary to confirm the understanding as documented. Identify the preventive (exercised before occurrence of transactions and event) and detective (exercised after occurrence of transactions and event) controls established by the Academy to support its assertions.		
2.	Check on sample of selected transactions covering the whole period that all preventive controls are exercised on all transactions.		
3.	Check that proper records have been maintained and entries are made in the same on prompt and consistent basis and the same is reconciled with general ledger.		
4.	Check on a sample of transactions that detective controls are appropriately exercised and in case of any detection of error/ fraud, proper steps have been taken to avoid recurrence of the same.		
5.	Ensure that management does not override the designed controls by: <ul style="list-style-type: none"> <li><input type="checkbox"/> Enquiring from the designated staff person</li> <li><input type="checkbox"/> Remains skeptical during performing test of design and test of effective operation</li> </ul>		
6.	Document the conclusion after performing test of controls and required level of assurance from substantive procedures.		

S.No.	Audit Procedures	Done by	W.P.Ref.
	<b>Test of Details</b>		
1.	Obtain a party-wise movement schedule of advances, deposits, prepayments & other receivables and trace the opening balances from the general ledger, control account and last period working papers. Check casting and cross casting of the schedule.		
2.	For disbursements made during the year check disbursements of funds with disbursement register and bank statement.		
3.	For a sample of prepayments made during the year:  (a) Ensure that amount and date of repayment was in accordance with repayment schedule or agreement. (b) Check receipt of funds with receipt records and bank statement.		
4.	Inquire about the nature of deposits. Corroborate movements in deposits with supporting documents.		
5.	Obtain age-analysis of advances, deposits, prepayments & other receivables and perform the following:  (a) Verify classification in correct categories. (b) Current maturities of advances, deposits, prepayments, other receivable shall be appropriately calculated and separately disclosed. (c) Consider the value of securities available if any, for the purpose of calculation of provision for doubtful loans and advances.		
6.	Check subsequent realizations/adjustments etc.		
7.	Ensure that all loans and advances to employees or students are granted after due compliance with organizational policies.		

S.No.	Audit Procedures	Doneby	W.P.Ref.
8.	Ensure that none of the advances, deposits, prepayments&other receivables are impaired or the recoverable amount is not less than its carrying amount. If the carrying amount is more than its recoverable amount, then same should be reduced to recoverable amount recognising the reduction as impairment loss		
9.	For items stuck-up for considerable period of time, inquire about its status from the management. Compute provisions if required.		
10.	Document the nature of other receivables, check the movement with supporting documents and compute the amount of provision for doubtful receivables, if required.		
11.	For short-term loans and advances to staff, review Academy's policies for disbursement and recoveries thereof, and ensure the same with supporting documents. Verify on a test basis deductions from advances to staff from their respective payroll register.		
12.	Test check loan agreement and legal documents to verify the terms and conditions of the advances.		
13.	Ensure that closing balances as per our working paper file are in match with general ledger.		
14.	Determine that disclosures have been made in accordance with the applicable IASs.		

ANNEXURE C  
CASH & BANK

Internal audit procedures shall be designed to ensure HSA polices for cash and bank are being followed.

S.No.	AuditProcedures	Doneby	W.P.Ref.
	<b>INTERNAL CONTROL FRAMEWORK</b>		
1.	Assessthereasonablenessofdesignof systemofinternalcontrolbyenquiring relevantpersonnel and documenting thesame. Awalkthrough testwouldbenecessarytoconfirmthe understandingasdocumented. Identify thepreventive (exercised before occurrenceoftransactions andevent) and detective (exercisedafter occurrenceoftransactions andevent) controlsestablishedbymanagement to supportitsassertions.		
2.	Check on sample of selected transactions coveringthewholeperiod thatallpreventivecontrolsareexercised onalltransactions.		
3.	Checkonasampleoftransactions that detective controls are appropriately been exercisedand in case of any detectionoferror/fraud,propersteps havebeentakentoavoidrecurrence of thesame.		
4.	Check thatproper bankreconciliations areprepared, checkedandapproved. Longoutstanding itemsarefollowedup andproperdispositionofsuchitemsis made.		
5.	Proper segregationof duties between custodian and accounting and approvingpersonnelexist.		
6.	Payments vouchers areappropriately prepared andproperlyapprovedby designatedauthority.		
7.	Ensure that management does not overridethedesignedcontrolsby: <ul style="list-style-type: none"> <li><input type="checkbox"/> Enquiring from the designated staffperson</li> <li><input type="checkbox"/> Remain sceptical during performing test of design and test of effective operation</li> </ul>		
8.	Document theconclusion after performing testofcontrolsandrequired level ofassurancefrom s u b s t a n t i v e procedures.		
S.No.	AuditProcedures	Doneby	W.P.Ref.

	<b>TEST OF DETAILS</b>		
1.	Attend year-end cash count and deposit verification.		
2.	Trace opening balance in general ledger from last year working papers.		
3.	Obtain and examine bank reconciliations ensure the following:  <input type="checkbox"/> No long outstanding items should remain unfollowed, <input type="checkbox"/> No revenue nature items should be appearing <input type="checkbox"/> All deposit made should be cleared within two days <input type="checkbox"/> No long outstanding cheques of significant amount are un-presented; if so then check their payment voucher and ensure that no discrepancy is involved.		
4.	Ensure that no balances are subject to any encumbrance, if so then disclosure is made.		
5.	Ensure that all bank accounts are in Academy's name.		
6.	Ensure that closing balances as per our working paper file are in match with general ledger.		
7.	Determine that disclosures have been made in accordance with the requirements of applicable IASs.		

**ANNEXURE D**  
**ACCRUED EXPENSES/PAYABLES**

<b>S.No.</b>	<b>AuditProcedures</b>	<b>Doneby</b>	<b>W.P.Ref.</b>
<b>INTERNAL CONTROL FRAMEWORK</b>			
1	Selectpurchase transaction over the period under audit and ensure the following controls have existed during the period:		
2	Purchase orders are approved at an appropriate level.		
3	Purchase orders are serially numbered.		
4	Entries are made only on the basis of approved Goods Received Notes (GRN).		
5	Entry to accrued expense account is authorized at appropriate level and supported by appropriate calculations.		
6	Invoices are rechecked for calculation and casting by a person independent of the purchase personnel.		
7	Price charged by the supplier is verified for appropriateness, for e.g. by agreeing the rates charged to approved price lists or quotations.		
8	An independent person compares the purchase orders, goods received notes and suppliers invoices for consistency.		
9	Suppliers' statements are obtained and reconciled to accounting records on a regular basis.		
<b>TEST OF DETAILS</b>			
<b>1.</b>	<b>TEST THE PROPRIETY OF ACCRUED EXPENSE ACCOUNTING POLICIES AND PROCEDURES</b>		
	A. Review the information in prior-year working papers and/or inquire concerning the nature of each significant accrued expense account and the policies and procedures used to account for them.		
	B. Inquire as to the reasons for significant changes in accrued expense balances since the prior year.		

S.No.	Audit Procedures	Doneby	W.P.Ref.
	C. Determine that the accounting policies and procedures for identifying when liabilities should be recorded are appropriate and applied		
	D. In the course of performing the following procedures in this Program, consider whether audit evidence we examine supports our understanding of accrued expense accounting policies and procedures and their propriety.		
<b>2.</b>	<b>TEST ACCRUED EXPENSES BALANCES</b>		
	A. Perform Procedure 1, Steps B to D, in the Model Audit Program for Payables. For selected subsequent cash disbursements or unpaid invoices that indicate liabilities incurred but not recorded as accounts payable in the audit period, ascertain that they were recorded in an appropriate accrued expense account.		
	B. Inquire and/or review information in prior-year working papers concerning the nature of recorded accrued expenses. Inquire and consider other available evidence, if any, that unrecorded or under-recorded liabilities exist. Consider the following sources of evidence, among others, as applicable: prior-year balances of accrued expense accounts; prior and current-year balances of related expense accounts; minutes of meetings of the board of directors; discussions with internal legal counsel; responses to letters of inquiry to independent legal counsel; employee benefit plans (e.g., pension, medical, vacation, deferred compensation) and reports from actuaries, insurance companies, etc.; subsequent payroll records; significant contracts for services performed in the audit period.		
	C. Make a selection of the significant accrued expenses noted while performing Steps A and B (including any that appear to exist but are unrecorded or under-recorded).		
	1. For selected accruals that are based primarily on known data (i.e., that are not accounting estimates), examine documents supporting the amounts accrued (e.g., service contracts or invoices, subsequent		
	2. For selected accruals that are accounting estimates (e.g., liabilities for certain employee benefits plans and legal contingencies):		

S.No.	AuditProcedures	Doneby	W.P.Ref.
	2.1 Evaluate thereasonableness of the methods andassumptions management used tomake the estimates.		
	2.2 If management's methods and assumptions werereasonable, testthe dataandassumptions underlyingthe estimates, and re-compute the estimates.		
	2.3 If management's methods developanindependent rangeof reasonable estimates anddetermine whethermanagement's estimatesfall withinthatrange. (Note: Thefactors that might be considered shallvary according tothe nature of the liabilities.)		
	3. For selected accruals with significant balancesinthe prioryearthatnolongerexist orthathavesignificantlylowerbalancesin thecurrentyear:		
	3.1 Assess whether the circumstances requiringtheaccrualsinthe prioryear nolongerexistorwhethertheywarrant		
	3.2 Iftheaccountsconsistofonlyoneor veryfewtransactions(e.g.,aprior-year accrualforalegalliability), tracethe disposition oftheliability(orpartial disposition) to supporting documents (e.g.,cancelledchecks).		
	4. Evaluate resultsofthetests.		
	D. Obtain aginganalysis of accrued and other liabilities. Foraccrualsandotherliabilities,which areoutstandingforaconsiderableperiod,inquire itsreasonsfornon-clearance, referthemtothe working papers and consider them for adjustments, ifany. Considerimpactoftaxlaws foroldoutstandingliabilities.		
	E. Checksubsequentclearanceofaccruedliabilities andotherliabilities andmentionclearance in termsofpercentage.		
<b>3.</b>	<b>TESTPRESENTATIONOFACCRUEDEXPENSES</b>		
	A. Determinethatthefollowingbalances, ifany, are properlyclassified:		
	1. Debitbalancesinaccruedexpenses.		
	2. Non-currentaccruedexpenses.		

S.No.	AuditProcedures	Doneby	W.P.Ref.
	B. Determinethatthefollowing,ifany,areproperly recorded, classified, and/or disclosed, as appropriate:		
	1. Accruedexpensesowedtorelatedparties.		
	2. Losscontingencies.		
	3. Retirementplans.		
	4. Post retirement health care and		
	5. Propertytaxesestimatedwithasubstantial measureofuncertainty.		
	6. Leaseobligations.		
<b>4.</b>	<b>TEST BALANCES DENOMINATED IN FOREIGN CURRENCIES</b>		
	A. Agree the closing exchange rate(s) used to published records and test the translation		
<b>5.</b>	<b>TEST ACCOUNTING ESTIMATES FOR BIAS</b>		
	A. Perform a retrospective review of significant accounting estimates reflected in the financialstatementsoftheprioryeartodeterminewhether managementjudgments and assumptions relatingtotheestimates indicateapossible bias onthepartofmanagement.		
	1. Thesignificantaccountingestimatesselectedfor testingshouldincludethosethatarebasedonhighly sensitive assumptions or are otherwisesignificantly affected by judgments made by management.		
	2. Considertheresultsofthisretrospectivereview inevaluatingthecurrent-year estimates. Ifwe identify a possible bias on the part of management inmakingprior-yearaccounting estimates, we should evaluate whether circumstancesproducing suchabiasrepresenta riskofamaterialmisstatementduetofraud.		
	B. Considerwhetherdifferencesbetweenestimates bestsupported bytheauditevidenceandthe estimates includedinthe financialstatements, eveniftheyareindividuallyreasonable,indicate a possible bias on the part of the entity's management. Ifso,reconsiderestimatestaken asawhole.		
<b>6.</b>	<b>TEST UNUSUAL ENTRIES RECORDED TO THE GENERAL LEDGER</b>		
	A. Investigatejournalentriesfromsources thatare typicallynotassociatedwiththisaccount.		

S.No.	Audit Procedures	Doneby	W.P.Ref.
	<p>1. Whenselectingitemstobetested,consider (a)ourassessment oftheriskofmaterial misstatement duetofraud,(b)the effectivenessofcontrolsoverthepreparation andpostingofjournalentries,(c)theentity's financialreportingprocessandthenatureof theevidencethatcanbeexamined, (d)the natureandcomplexity oftheaccounts, and (e)theamount andnumber ofsuchentries. Becausefraudulent journalentriesoftenare madeattheendofareporting period,our testingordinarily shouldfocusonthejournal entriesandotheradjustmentsmadeatthat time. Inaddition, becausematerial misstatementsinfinancialstatementsdueto fraudcanoccurthroughout theperiodand shallinvolveextensive effortstoconceal entriesattheendofthereporting period,we shouldconsiderwhethertherealsoisaneed to extendthetestingofjournalentries to otherperiodswithintheperiodunderaudit.</p>		
	<p>B. Examine related accounting records valid, appropriate, and authorized. Determine whethertheselectedentrywas properlyrecorded inthecorrectperiodandconsider thepossible implications ofsuchjournalentriesoninternal control.</p>		
	<p>C. Determine whether the entries exhibit characteristicsof inappropriateor unauthorized journal entries such as (a) entries made to unrelated,unusual,orseldom-usedaccountsor businesssegments, (b)entriesrecordedatthe endoftheperiodoraspost-closing entriesthat havelittleornoexplanation ordescription, (c) entriesmadeeitherbefore orduring the preparationofthefinancialstatementsthatdonot haveaccountnumbers, and(d)entriesthat containroundnumbersoraconsistent ending</p>		
	<p>D. Evaluate the reasonableness of other adjustments (e.g.,entriesposteddirectlyto financial statement drafts, consolidating adjustments, report combinations, reclassifications)madeinthepreparationofthe financialstatements.</p>		

## ANNEXURE E

## FUNDS

**For Donor/Govt contributions (receipt not income)**

<b>S. No.</b>	<b>AuditProcedures</b>	<b>Doneby</b>	<b>W.P.Ref.</b>
<b>1</b>	Obtained bank statement and check that funds received is appearing in bank statement		
<b>2</b>	Circularize Grants received confirmation to the Donor (if considered appropriate).		
<b>3</b>	Check mathematical accuracy of Invoices.		
<b>4</b>	Check that invoices have been checked and approved by relevant authority.		
<b>5</b>	Revenue received less cost incurred reconcile with cash in bank		
<b>6</b>	Review procedures used to control funds, including their channelling to contracted financial institutions or other implementing entities.		
<b>7</b>	Check that funding received by the Academy was appropriately recorded in the accounting records and that those records were periodically reconciled with information provided by the Donor Agency.		

ANNEXURE F  
INCOME/ RECEIPTS

S. No.	Audit Procedures	Done by	W.P.Ref.
	<b>TEST OF CONTROLS</b>		
1	Make a selection of revenue transactions from independent source records e.g. Student rolled ‘ in records, donor financial report etc.		
2	Test the completeness of source records by ensuring their numerical sequences.		
3	For each item selected above:  (a) Trace it to the invoice (b) Agree invoice amount to Academy’s defined course fee.. (c) Determine that the receipt was recorded in the correct period. (d) Trace fee receipt amount to a Fee journal (e) Trace fee journal total to the general ledger		
4	Check that receipts are input only once and are subject to validation.		
5	Access to receipt system is restricted by user ID and password.		
6	Check that prices/fee charged in accordance with the approved fee structure.		
7.	Check that the fee discounts are in accordance with the approved limits.		
	<b>TEST OF DETAILS</b>		
1.	Have the Academy reconcile totals for gross receipts and fee deduction to the general ledger/control accounts		
2.	Trace selected monthly totals for receipts and deduction to the fee journal or similar record. Investigate significant differences.		
3.	Select a sample of individual transactions from the journal to determine the propriety of their recognition during the period.		
4.	Verify the invoices and check that the student name, credentials, course description and time periods are mentioned on the invoice and compare it with the admission approval documents.		

5.	Document the criteria for selection of invoices for verification purposes and ensure that sample is representative both for volume and amount of transaction.		
6.	Go through the fee journal to check whether there is any duplication of invoice numbers or gap in the sequence of invoice numbers to identify invoices cancelled if any.		
7.	Review significant fee returns and credit memos issued during the period as well as subsequent to the balance sheet date to determine whether they were properly authorized and recorded in the proper period.		
8.	Make a selection of transactions from recorded fee journals for prior and after period-end and ensure proper cut-off.		
9.	Ensure that all receipts in foreign currencies are translated using exchange rate prevailing at the date of receipt (a rate that approximates the actual rate for example, weekly/ monthly average is also acceptable).		
10.	Determine that the accounting policies and methods of revenue recognition are appropriate and are applied consistently.		
11.	Determine that disclosures have been made in accordance with the requirement of relevant accounting pronouncements.		
12.	Conclude on the result of the work performed.		

ANNEXURE G  
PROCUREMENT

Sr.No	Procedures	Done by	W.P. Ref.
	CONTROL FRAME WORK		
1	Segregation of the functions of approval of purchases, receiving, recording, and, payment for the same.		
2	Specific policies and procedures as per Public Procurement Regulatory Authority Ordinance, 2002 (PPRA) to be established to guide purchase routines, including approval requirements, related documentation, tendering procedures, group purchases and price preferences etc .		
3	All items normally purchased to be classified and codified. A master list of suppliers and items to be drawn up.		
4	Purchase action to be initiated on the basis of a departmental requisition approved by designated management level. A purchase order to be issued on a pre-numbered form.		
5	Incoming materials to pass through a receiving section for counting and inspection. Goods received note (or similar document) to be prepared covering the receipt. The goods received note to be pre-numbered and signed by a designated officer who also makes the count and inspection.		
6	All invoices for purchases to be sent to Accounts Department directly. All invoices to be specifically approved by a designated level, and, supported by goods received note, purchase order etc before payment.		
7	Detailed purchase budgets to be prepared. Decision to purchase to be made on a systematic basis- analysis of requirements, lead time etc to be taken into consideration.		
8	All purchase returns to be approved and authorized		

Sr.No	Procedures	Done by	W.P. Ref.
	INTERNAL CONTROL ASSESSMENT QUESTIONNAIRE		
1	Are all purchases` centralized in accordance with laid down Policy? If not, is the exception approved, and was the specific purchase activity sufficiently organized to ensure accountability and control.		
2	Is there a thorough compliance with purchase policy? Are procedures laid down to guide purchases followed adequately?		
	a. Is a proper Purchase Requisition issued by the department requiring goods or services before the Purchase Order is initiated?		
	b. Are proper and adequate number of quotations received from approved vendors before the order is issued?		
	c. Where the vendors are not from the approved list, are they properly selected and prima facie, do they have capacity to supply the goods or services ordered?		
	d. If the least price quote is not accepted, is the purchase adequately documented with reasons. Is the reason for accepting the quote justified?		
	e. Are Purchase Orders signed only by officers authorized to do so?		
	f. If the goods are accepted, are the goods promptly removed and stored in the proper storage area?		
	h. Is the Goods Received Note promptly and properly completed for acceptance?		
	i. Is the stock record promptly and properly updated?		

Sr.No	Procedures	Done by	W.P. Ref.
	j. Is an appropriate copy of the Goods Received Note promptly forwarded to the Accounts Department?		
	k. Is Purchase Department notified of the receipt?		
	l. Does Accounts Department regularly review the Goods Received Note for which no invoice has been received?		
	m. At the month-end, is the last Goods Received Note raised by the store compared with the last Goods Received Note accounted?		
	n. Are shortages and rejections properly dealt with? Are rejections promptly returned to vendors? Are vendors informed of rejections?		
	o. Are goods returned to suppliers recorded on the Goods Received Note and is a Discrepancy Note raised?		
	p. Is a copy of the discrepancy note forwarded to the Accounts Department promptly?.		
	q. Is the Discrepancy note promptly acted upon- for e.g., where advances have been provided to vendors. Is a debit note promptly raised?		
	r. Is an insurance claim promptly raised?		
	s. Are unused Purchase related forms kept in safe custody and fully accounted for?		
	t. Are outstanding Purchase Orders periodically reviewed?		
3	Are purchases planned? Is a purchase budget prepared?		
4	Is a requirement planning exercise carried out?.. Are factors like historical trends, lead time, uncertainties in availability, general economic scene etc taken into consideration?		
5	Are proper inventory records maintained?		

Sr.No	Procedures	Done by	W.P. Ref.
6	Does the Academy have a master list of suppliers, and, normally purchased items?. . Is the list regularly updated?		
7	Does Academy invite tenders for large volume or high value purchases as per PPRA regulations?.		
8	Is there compliance with the procedure provided for prior approval of purchases by designated levels, comparison of several quotations, registration of suppliers etc?		
9	Are the specific procedures laid down to take care of stock out situations and emergency purchases complied with?		
10	Are current suppliers rated on the basis of their performance?		
11	Are purchases and variances from budgets/targets reported by responsibility centers/departments?		
12	Are the various procedures and controls (including limits of authority) and the compliance generally adequate to prevent mis-utilisation of Procurement powers?		
13	Are the functions of requisitioning for purchases, approval for purchases, placing a purchase order, receiving the goods, recording the purchases, and, related payment segregated?		
14	Are all costs directly associated with Procurement function identified with purchases?		
15	Are there separate heads of accounts for separate classifications of purchases?		
16	Is a purchase order issued for all purchases?		
17	Are goods received notes prepared? Are the purchased items received by a centralized receiving department or section? Are the items counted and inspected?		
18	Does the accounts department receive the suppliers invoice directly? Is a copy of goods received note send to accounts department immediately after it is raised?		

<b>Sr.No</b>	<b>Procedures</b>	<b>Done by</b>	<b>W.P. Ref.</b>
19	Is there a periodical reconciliation between ledger account totals for purchases, inventory records, ?		
20	Are all purchase returns approved and authorized?.		
21	Are advance payments for purchases, properly authorized, separately recorded, followed up and adjusted?		
22	Are there adequate controls to promptly detect unauthorized purchases or setting up payables if goods are not received?		
23	Are there adequate controls to detect cases where liability is incurred on Purchases but not promptly recorded?		
	<b>DETAILED TESTS</b>		
1	Examine the time lag between date of Purchase Requisition and date of issue of Purchase Orders		
2	Review Purchase Requisitions for proper documentation and authorization.		
3	Review adequacy of Purchase Orders in terms of lowest quotation, approvals etc.,.		
<b>4</b>	Review instances of cancellation of Purchase Orders		
5	Are the Purchase Orders complete in all respects- specifications, terms of delivery, unit price, quantity, insurance, terms of payment etc.?,.		
6	Does the Purchase Order refer to vendor's quotation?		
7	Review approved vendor listing and ensure that the same is properly and periodically updated. Review vendor identification and selection criteria. Ensure fairness in selection. Also ensure that if there is only one vendor, the internal control is working and adequate.		
8	Review import purchase orders for completeness and adequate authorization.		
9	Are instances of urgent buying justified?		

Sr.No	Procedures	Done by	W.P. Ref.
10	Are petty cash purchases in accordance with the laid down policy?		
11	Are decentralized purchases handled strictly in accordance with laid down procedures?.		
12	Test check purchase vouchers with vendor invoices, purchase orders, purchase requisitions, and goods received note to ensure that all purchases are properly authorized properly documented. Review procedures to confirm performance of vendors. The test check shall also ensure that goods are received in respect of purchases set up as payable.		
13	Test check purchase vouchers for proper accounting entry.		
14	Review accounts payables for old unpaid items. Relate the listing to unpaid Goods Received Notes.		
15	Where goods received note are not supported by vendor invoices, prepare a listing of missing invoices and ensure follow-up.		
16	Review instances of fresh purchase orders being raised when existing purchase orders are not fully executed. Confirm justification for the same.		

**ANNEXURE H  
OPERATIONAL AND ADMINISTRATIVE**

S.No.	Audit Procedures	Done by	W.P.Ref.
<b>INTERNAL CONTROL FRAMEWORK</b>			
1.	For salaries and other benefits perform the test of details..		
2.	Select a sample of transactions and check the following:		
	<input type="checkbox"/> Expenses are approved in accordance with HSA's policy <input type="checkbox"/> Expenses are supported by documentation. <input type="checkbox"/> Tax is deducted at source, deposited and filed in accordance with the Government Regulations <input type="checkbox"/> Payments are made only through crossed cheques other than those allowed by the policy. <input type="checkbox"/> Expenses are posted in the correct account code. Tax and other Returns and statements of government are filed in time.		
<b>TEST OF DETAILS</b>			
1.	Select a sample of recorded expenses and examine proper supporting documents for relevant expenses e.g. rent agreements for rent expenses, personal files and payroll for salaries and other allowances etc.		
2.	Scan general ledger of expenses and investigate large and unusual items and expenses were incurred for the purposes of the Academy Business.		
3.	Obtain schedules which compare each significant category of employee compensation (per the payroll register) and significant payroll-related expenses (by month between years). . Verify the clerical accuracy of the analysis.		

4.	<p>Review all significant rent agreements and note:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> The respective expiry/ maturity dates;</li> <li><input type="checkbox"/> The provisions for renewal of agreement;</li> <li><input type="checkbox"/> Amount of deposit;</li> <li><input type="checkbox"/> Amount of rent and the period of payment;</li> <li><input type="checkbox"/> Rent escalation clauses; and</li> <li><input type="checkbox"/> Any other significant</li> </ul>		
5.	<p>Have the HSA prepare a schedule of all legal and professional expenses incurred during the period showing:</p> <ul style="list-style-type: none"> <li>• The name of lawyer/tax advisor or other consultant;</li> <li>• A description of professional services rendered to the entity; and</li> <li>• The amount of professional fee/charges.</li> </ul> <p>Tie up the total of such schedule with the General Ledger.</p>		
6.	<p>Based on the schedule of legal and professional expenses, ensure that all expenses were:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Authorized by the appropriate level of authority;</li> <li><input type="checkbox"/> Properly supported by bills/ invoices and other relevant documents;</li> <li><input type="checkbox"/> For Academy's purposes; and</li> </ul> <p>Verified by the entity's internal audit department, where applicable.</p>		
7.	<p>Determine that disclosures have been made in accordance with the requirements of relevant accounting pronouncements.</p>		
8.	<p>Conclude on the result of the work performed.</p>		

ANNEXURE I  
HUMAN RESOURCE

Sr. No	Procedures	Date	W.P. Ref.
	INTERNAL CONTROL FRAME WORK		
1	Document the following: <ul style="list-style-type: none"> <li>• Existing process documentation.</li> <li>• Policies and procedures for HR management.</li> </ul>		
2	Perform a process of walk-through to confirm the understanding of the process and modify process documentation as needed.		
4	Understand by inquiry and observation, whether there is segregation of duties among those that authorize transactions, record transactions and responsible for actual HR.		
5	Perform a knowledge assessment of the individuals and the tasks they perform, and inspect their user profile to determine if their system access provides segregation of duties.		
	DETAIL TESTING		
1	<p><b>Recruitment:</b> Obtain the list of employees recruited during the period, Select a sample of employees and perform the following procedures:</p> <ul style="list-style-type: none"> <li>■ Check the recruitment process has been carried out as per HSA policy. Keeping in view the authority and composition of recruitment panel.</li> <li>■ Check that copy of N.I.C. and photos along with the C.V. have been obtained at the time of recruitment.</li> <li>■ Check that appointment letter has been issued to the recruited employee.</li> <li>■ Check that master file have been created for the new recruitment.</li> <li>■ Check that Orientation has been conducted.</li> <li>■ Check that employee evaluated after probationary period and confirmation letter issued after it.</li> <li>■ Check that confidentiality inquiry has been made.</li> <li>■ Check that Manpower requisition has been raised.</li> <li>■ Check that commitment of code of conduct and application of employment has been obtained from the new recruitment.</li> <li>■ Check that offer letter is issued to the recruited employee.</li> <li>■ Check that the Provident Fund, pension fund, group insurance and benevolent fund form have been correctly filled out.</li> <li>■ Check that the Job Description has been correctly and fully communicated to the employee</li> <li>■ Check that medical certificate has been obtained of each employee.</li> </ul>		

Sr. No	Procedures	Date	W.P. Ref.
2	<p><b>Daily Wages:</b> Obtain the list of daily wages employees, select a sample of employees and perform the following procedures:</p> <ul style="list-style-type: none"> <li>■ Check that the Manpower requisition form had been raised and correctly filled out.</li> <li>■ Check that a copy of the CNIC has been obtained.</li> </ul>		
3	<p><b>Appraisals:</b> Obtain the forms of performance appraisal conducted for the period, select sample of appraisal forms of employees and perform the following procedures:</p> <ul style="list-style-type: none"> <li>■ Check employees' signature.</li> <li>■ Check reviewers' signature.</li> <li>■ Check that HR department has reviewed the appraisal form.</li> </ul>		
4	<p><b>Outsourced Services:</b> Obtain agreements for HR services outsourced and check that:</p> <ul style="list-style-type: none"> <li>■ Agreements are properly concluded.</li> <li>■ Services being received are necessary for the Academy.</li> <li>■ Terms of agreements are properly adhered with.</li> </ul>		
5	<p><b>Conduction of Appraisals:</b> Select a reasonable sample of employees personal files and perform the following procedures:</p> <ul style="list-style-type: none"> <li>■ Check that the performance appraisals have been conducted for the employees of all the years during their employment.</li> <li>■ Check whether a review was carried out during the period</li> <li>■ Check whether development needs were identified</li> <li>■ Check whether action plans were created.</li> </ul>		
6	<p><b>Training Plans And Budgets:</b> Perform the following procedures:</p> <ul style="list-style-type: none"> <li>■ Check that training expenses are inline with the budgeted training expenses.</li> <li>■ Check training of software being implemented is provided to employees before or during the implementation.</li> </ul>		

Sr. No	Procedures	Date	W.P. Ref.
7	<p><b>Training Needs:</b> Select performance appraisals of employees and perform the following procedures:</p> <ul style="list-style-type: none"> <li>■ Check whether development needs are identified and recommended by the reviewer.</li> <li>■ Check whether the recommended training was carried out.</li> <li>■ Check the attendance of the employee</li> <li>■ Check whether action was taken against the employee absent from the training sessions.</li> </ul>		
	<p><b>Payroll:</b> Obtain payroll documents during the period and perform the following procedures:</p> <ul style="list-style-type: none"> <li>■ Check that the payment of salaries has been recommended by the Deputy Director Finance</li> <li>■ Check that the payment of salaries has been authorized by the Executive Director</li> <li>■ Check the salaries are paid on the correct date.</li> <li>■ Check that reconciliations are prepared.</li> </ul>		
	<p><b>Leave Applications:</b> Select a sample of leave applications during the period and perform the following procedures:</p> <ul style="list-style-type: none"> <li>■ Check that the leave balance of the employee was up to date and mentioned in the employees' file</li> <li>■ Check that the leave approval for the employee is mentioned.</li> <li>■ Check that the leave balance due to the employee is mentioned</li> <li>■ Check that the signature of the applicant.</li> <li>■ Check that the leave had been approved by the Department Head</li> <li>■ Check that the leave had been approved by the Head of Human Resources</li> </ul>		
	<p><b>Attendance Sheet:</b> Obtain attendance sheets for the period and perform the following procedures:</p> <ul style="list-style-type: none"> <li>■ Check the authorization of the attendance sheet.</li> <li>■ Check the number of errors on the attendance sheets</li> <li>■ Check the reliability of the software used for marking the attendance (if any)</li> </ul>		
	<p><b>Cash Disbursement:</b> Obtain disbursement sheets and perform the following procedures:</p> <ul style="list-style-type: none"> <li>■ Check that the CNIC number is mentioned in the disbursement sheets.</li> <li>■ Check that a copy of the CNIC has been attached to the disbursement sheet.</li> <li>■ Check the acknowledgement from the employee after receiving the salary.</li> </ul>		

Sr. No	Procedures	Date	W.P. Ref.
	<ul style="list-style-type: none"> <li>■ Check that the disbursement sheet is authorized and approved by the Deputy Director Finance.</li> <li>■ Check that record of unclaimed wages is maintained and amount is placed in locked vault.</li> </ul>		
	<p><b>Promotions:</b> Obtain the list of employees promoted during the period and perform the following procedures:</p> <ul style="list-style-type: none"> <li>■ Check that the performance of the employee has been evaluated before promotion.</li> <li>■ Check that the appropriate approvals have been sought before confirmation.</li> </ul>		
	<p><b>Separation and Settlement:</b> Obtain the list of employees who have separated during the period and perform the following procedures:</p> <ul style="list-style-type: none"> <li>■ Check the reason for separation.</li> <li>■ Check the separation date.</li> <li>■ Check whether there was a dismissal on medical grounds and if so, were the necessary documents received.</li> <li>■ Check the last attending date as per individual time sheet.</li> <li>■ Check whether the date of interview was noted on the exit interview form.</li> <li>■ Check whether the signature of the interviewer and interviewee were on the exit interview form.</li> </ul>		
	<p><b>Full and Final Settlement:(Resignation)</b> Obtain the list of employees who have separated during the period, select employees and perform the following procedures:</p> <ul style="list-style-type: none"> <li>■ Check the reason for separation</li> <li>■ Check the date of resignation/retirement</li> <li>■ Check the separation date</li> <li>■ Check the notice period served or waived</li> <li>■ Check that the resignation letter had been signed by the employee</li> <li>■ In the case of separation on medical grounds, check whether the death certificate/hospital letter was provided</li> <li>■ Check that the payroll/status change form had been circulated to all parties concerned i.e. director HR, Department head, director Finance and Executive Director.</li> <li>■ Check that the termination checklist for final clearance had been properly completed and intimated to the department heads</li> <li>■ Check that all copies of the termination checklist have been circulated to all parties concerned.</li> <li>■ Checked the individual's time sheet for the last attending date</li> <li>■ Check that the exit interview had been properly conducted and documented.</li> <li>■ Checked that the payment certificate had been properly filled.</li> </ul>		

Sr. No	Procedures	Date	W.P. Ref.
	<p><b>Disciplinary Action:</b> Obtain the list of employees terminated due to disciplinary action and perform the following procedures:</p> <ul style="list-style-type: none"> <li>■ Check the disciplinary action that was recommended</li> <li>■ Check whether the disciplinary action recommendation form was filed.</li> </ul>		
	<p><b>Personal Files</b> Obtain list of all the employees' and perform the following procedures:</p> <ul style="list-style-type: none"> <li>■ Select employees from the list and check that personal files of the selected employees are available by the management.</li> <li>■ Select personal files from the cabinet and check that the names of the employees whose files are present in the cabinet are available in the list.</li> </ul>		

ANNEXURE J  
INFORMATION TECHNOLOGY

<b>(a) Organization and Management Policies</b>	<i>Summary of findings</i>
<p><b>1. To ensure that organisational policies and management procedures are in place to enable the IT function to be properly controlled.</b></p>	
<p><i>IT Strategy</i></p> <p>Is there a formal documented plan for IT covering systems to be developed or enhanced?</p> <p><i>IT Policies and Procedures</i></p> <p>Are there formal and comprehensive IT Policies and Procedures relating to Information Security, User Access Management, Program Change Management, Backup Management, Password Management etc. t.c?</p> <p>Consider</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Approval at board level</li> <li><input type="checkbox"/> Objectives</li> <li><input type="checkbox"/> Scope and coverage</li> <li><input type="checkbox"/> Responsibility for monitoring or update</li> <li><input type="checkbox"/> Distribution to staff</li> </ul>	<i>Comments/WP Ref.</i>
<p><i>IT Security Function</i></p> <p>Is there a formal IT Security function in the organization</p> <p>Consider</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Roles and responsibilities</li> <li><input type="checkbox"/> Reporting lines (Independent of IT)</li> <li><input type="checkbox"/> Security awareness trainings</li> </ul>	
<p><i>Control Consciousness</i></p> <p>Is the attitude of management and the structure of the organisation conducive to control consciousness?</p>	

<b>(b) Segregation of Duties</b>	<i>Summary of findings</i>
	<i>Comments/WP Ref.</i>
<p>Do IT staff only have responsibilities for functions within the IT department?</p> <p><u>Consider</u></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Responsibility for initiating or authorising transactions</li> <li><input type="checkbox"/> Amendments to master files</li> <li><input type="checkbox"/> Correction of input errors</li> </ul>	
<b>(c) Logical Access Controls</b>	<i>Summary of findings</i>
<b>3. To ensure that unauthorised access cannot be gained to sensitive data or programs.</b>	
	<i>Comments/WP Ref.</i>
3.1 Have sensitive data or applications been identified?	
<p>3.2 Have appropriate security measures been implemented to restrict users' access to data and programs?</p> <p><u>Consider</u></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> User-id and passwords</li> <li><input type="checkbox"/> Menu facilities</li> <li><input type="checkbox"/> Management approval of menu options</li> <li><input type="checkbox"/> Periodic review of appropriateness of access rights</li> <li><input type="checkbox"/> Review of security logs</li> </ul>	

<p>3.3 Check from the system controls relating to passwords:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Password length (e.g. 6 characters).</li> <li><input type="checkbox"/> Password composition (e.g. alph-numeric)</li> <li><input type="checkbox"/> Password change interval (e.g. 90 days)</li> <li><input type="checkbox"/> Account lockout (e.g. 3 invalid attempts)</li> <li><input type="checkbox"/> Password history (e.g. 5 password remembered)</li> <li><input type="checkbox"/> Force password change on first login</li> <li><input type="checkbox"/> Session timeout (e.g. 10 min of inactivity)</li> <li><input type="checkbox"/> Concurrent sessions allowed</li> </ul>	
<p>3.5 Is the allocation, authorisation and use of powerful user-ids (e.g. system administrator, database administrator etc.) or passwords controlled and monitored?</p> <p>(Note to whom these user ids are assigned)</p>	

<b>(d) Physical Access Controls</b>	<b>Objective Satisfied Y/N</b>		<b>Summary of findings</b>
<p><b>4. To ensure that the risk of accidental or malicious damage to, or theft of, computer equipment or media is minimized.</b></p>			
<p>4.1 Is there adequate physical security over computer equipment, data, media and documentation?</p> <p><u>Consider</u></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Buildings (including the protection of terminals)</li> <li><input type="checkbox"/> Server room</li> <li><input type="checkbox"/> Communication equipment</li> <li><input type="checkbox"/> Fireproof storage for magnetic media</li> <li><input type="checkbox"/> Fire prevention or detection</li> <li><input type="checkbox"/> Off-site storage</li> </ul>			
<p>5.2 <i>Packages</i></p> <p>Is the Academy dependent on externally supplied and maintained application systems?</p> <p><u>Consider:</u></p> <ul style="list-style-type: none"> <li>• Maintenance agreement with the supplier</li> <li>• Changes and upgrades checked and tested before installation</li> <li>• Source code provided measures to prevent unauthorised access to the software</li> <li>• If the software is owned by the supplier, is there an escrow agreement?</li> </ul>			

<p>5.3 Are users appropriately involved in the systems development process?</p> <p><u>Consider</u></p> <ul style="list-style-type: none"><li><input type="checkbox"/> Specification of requirements</li><li><input type="checkbox"/> Contribution to priority setting</li><li><input type="checkbox"/> User signoffs</li><li><input type="checkbox"/> User acceptance testing</li><li><input type="checkbox"/> Training</li><li><input type="checkbox"/> Formal approval before implementation</li></ul>			
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# **Chapter-6**

# **Internal Audit Reporting**

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**A. SCOPE OF CHAPTER**

This Chapter states the Policies and Procedures of Health Service Academy (HSA) relating to the internal audit reports.

This chapter covers the following areas:

- Internal audit report
- Internal audit reporting formats
- Internal audit reporting log sheet

**B. DEFINITIONS**

For the purpose of this chapter following terms shall have given description:

**B.1. FRAUD**

An intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception to obtain an unjust or illegal advantage.

**B.2. RISK**

Risk is the potential that a chosen action or activity (including the choice of inaction) will lead to a loss (an undesirable outcome). The notion implies that a choice having an influence on the outcome exists (or existed).

**B.3. ORGANIZATIONAL RISK**

The business, treasury, and pure risks of an organization (i.e., all exposures, hazards, and perils, whether traditionally the subject of insurance or not), which collectively create uncertainty as to the financial outcome of an enterprise.

## **C. POLICIES**

This section contains policies for following aspects of internal audit activity,

- Internal audit report
- Internal audit reporting formats
- Internal audit reporting log sheet

**C.1 INTERNAL AUDIT REPORT**

The Head of Internal Audit (HIA) shall report periodically to senior management, audit committee and/or Board of Governors (BoG) on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan. Reporting shall also include significant risk exposures and control issues, including fraud risks, governance issues and other matters needed or requested by senior management and audit committee and/or BoG.

Internal audit shall also conduct various types of audit and prepare and issue reports on them as and when requested by the management.

*Refer to Annexure A for different types of internal audit within an organization.*

**C.2 INTERNAL AUDIT REPORTING FORMAT**

The HIA shall have the responsibility to prepare the Internal Audit Report in a format prescribed in Procedures and shall exercise due professional care to ensure that the internal audit report, inter alia, is:

- Clear
- Factual – presents all significant matters with disclosure of material facts
- Specific Standard on Internal Audit
- Concise
- Unambiguous
- Timely
- Complies with generally accepted audit procedures in Pakistan, where applicable.

**C.3 INTERNAL AUDIT REPORTING LOG SHEET**

Internal audit unit shall maintain a log sheet for all its reports submitted to different tiers of HSA's management.

The log sheet shall provide information about;

- Date of Report
- Reporting Period
- Report Title
- Type of report
- Submitted to
- Reporting Medium
- Reference ( if any)

**D. PROCEDURES**

Reports shall be prepared by the internal audit unit in defined formats as per following procedures;

- Internal audit reports
- Internal audit reporting formats
- Internal audit log sheets

## D.1 INTERNAL AUDIT REPORTS

After carrying out the internal audit procedures for the biannual audit, internal audit unit shall gather all the working to evaluate the overall organizational activities in line with the internal audit scope.

Depending on the internal auditors judgment, where he/she considers it necessary the observations gathered from the pre audit activity shall also be included in the biannual internal audit report.

The different stages of communication and discussion shall be as under:

- Discussion Draft - At the conclusion of departmental internal audit exercise, the internal auditor shall draft the report after thoroughly reviewing the working papers and the discussion draft before it is presented to the entity's management for auditee's comments. This discussion draft shall be submitted to the entity management for their review before the exit meeting.
- Exit Meeting - The internal auditor shall discuss with the management regarding the findings, observations, recommendations, and text of the discussion draft. At this meeting, the HSA management shall comment on the draft and the internal audit team shall work to achieve consensus and reach an agreement on the internal audit findings.
- Formal Draft - The internal auditor shall then prepare a formal draft, taking into account any revision or modification resulting from the exit meeting and other discussions. When the changes have been reviewed by the internal auditor and the management, the final report shall be issued.
- Final Draft Report - After consolidating departmental reports and preparing an executive summary of the findings the draft shall be shared with the Executive Director (ED) for comments (if any). The head of internal audit shall submit the final draft to the audit committee for approval.
- Where the audit is being carried out as a special assignment specifically provided by the Audit committee or Board of Governors, sharing with the ED shall be at the discretion of Head of Internal Auditor.

## D.2 INTERNAL AUDIT REPORTING FORMATS

The internal audit unit shall refer to Annexure B for internal audit report format.

The internal auditor's report shall include the following basic elements, in the following layout:

- Title;
- Addressee;
- Report Distribution List;
- Period of coverage of the Report;
- Opening or introductory paragraph;
- identification of the processes/functions and items of financial statements audited; and
- a statement of the responsibility of the entity's management and the responsibility of the internal auditor;
- Objectives paragraph - statement of the objectives and scope of the internal audit activity ;
- Scope paragraph (describing the nature of an internal audit):
  - a reference to the generally accepted audit procedures in Pakistan , as applicable;
  - a description of the methodology of the internal audit together with procedures performed by the internal auditor; and
  - a description of the population and the sampling technique used.
- Executive Summary, highlighting the key material issues, observations, control weaknesses and exceptions;
- Observations, findings and recommendations made by the internal auditor;
- Comments from the management;
- Action Taken Report (follow up) – Action taken/ not taken pursuant to the observations made in the previous internal audit reports;
- Date of the report;and
- Internal auditor's signatures.

A measure of uniformity in the form and content of the internal auditor's report is desirable because it helps to promote the reader's understanding of the internal auditor's report and to identify unusual circumstances when they occur.

D.3 INTERNAL AUDIT REPORTING LOG SHEET

Before submitting the draft to the management the Internal audit unit shall mark an entry in the internal audit report log sheet.

The log sheet shall be duly signed by the Head of Internal audit for authorization.

The receipt/ acknowledgement of report shall be kept in internal audit record.

Please refer to Annexure C for internal audit log sheet format

**ANNEXURE A: TYPES OF INTERNAL AUDIT ACTIVITIES**

- **Transaction Audit:** Audit to ensure that specific transactions are only executed after they meet with the requirements set out for them within the system. These include pre and / or post transaction audit and are especially relevant for areas where system controls are not readily available.
- **Compliance Audit:** Audit of systems with specific emphasis on verification of internal controls as conceived and instituted by the HSA to verify that the system is being complied with.
- **Regulatory Framework Compliance:** Audit conducted so as to ensure that the business is being conducted in a manner in full compliance with the legal, corporate and regulatory framework requirements.
- **Efficiency Audits:** Audit to verify that the operations of the HSA are being conducted in a manner, which ensure maximum efficiency of the HSA including best use of its resources.
- **Special Audits:** Audit to review any specific aspect of the overall organization or business, which carries a specific problem or suffers from specific issues, which requires investigation and special reporting.

**ANNEXURE B: INTERNAL AUDIT REPORT FORMAT**

<b>Sr . No</b>	<b>List of contents</b>	<b>Particulars</b>
<b>A</b>	<b>Title</b>	The internal auditor's report shall have an appropriate title expressing the nature of the Report.
<b>B</b>	<b>Addressee</b>	The internal auditor's report shall be appropriately addressed as required by the circumstances. Ordinarily, the internal auditor's report is addressed to the Audit Committee or such other person as directed.
<b>C</b>	<b>Report Distribution List, Coverage and Opening or Introductory Paragraph</b>	<p>There should be a mention of the recipients of the report in the section on Report Distribution List.</p> <p>The internal auditor's report should identify the systems, processes, functional lines or other items of the entity that have been audited, including the date of and period covered.</p> <p>The report should include a statement that the operation of systems, procedures and controls are the responsibility of the entity's management and a statement that the responsibility of the internal auditor is to express an opinion on the weaknesses in internal controls, risk management and governance (entity level controls) framework, highlighting any exceptions and cases of noncompliance and suggest or recommend improvements in the design and operations of controls based on the internal audit.</p>
<b>D</b>	<b>Scope Paragraph</b>	<p>"Scope" refers to the internal auditor's ability to perform internal audit procedures deemed necessary in the circumstances.</p> <p>The internal auditor's report, in line with the terms of the assignment , shall describe the internal audit as including:</p> <p>(a) examining, on a test basis, evidence to support the amounts and disclosures in financial statements;</p> <p>(b) assessing the strength, design and operating effectiveness of internal controls at process level and identifying areas of control weakness, business risks and vulnerability in the system and procedures adopted by the entity</p> <p>(c) assessing the accounting principles and estimates used in the preparation of the financial statements; and</p> <p>(d) evaluating the overall entity-wide risk management and governance framework.</p>
<b>E</b>	<b>Executive Summary</b>	The Executive Summary paragraph of the internal auditor's report shall clearly indicate the highlights of the internal audit findings, key issues and observations of concern, significant controls lapses, failures or weaknesses in the systems or processes.

<b>F</b>	<b>Observations (Main Report) Paragraph</b>		The Observations paragraph should clearly mention the process name, significant observations, findings, analysis and comments of the internal auditor
	a.	Internal Audit Findings	Detailed observations with all the necessary facts and figures are to be documented.
	b.	Implications	Implication of the weakness or non compliance
	c.	Recommendations	Recommendations of internal audit unit to stream line the problem identified in “ a” above
	d.	Management Response	The Comments from Local Management Paragraph shall contain the observations and comments from the management provided after giving due cognizance to the internal auditor’s comments. This shall also include management’s action plan for resolution of the issues and compliance to the internal auditor’s recommendations and suggestions on the areas of process and control weakness/ deficiency. The management action plan, shall contain, inter alia: (a) the timeframe for taking appropriate corrective action; (b) the person responsible; and (c) resource requirements, if any, for ensuring such compliance
<b>G</b>	Action Taken Report/Follow up of prior period observations		The Action Taken Report paragraph shall be appended after the observations and findings and shall include: (a) Status of compliance / corrective action already taken / being taken by the auditee with respect to previous internal audit observations; (b) Status of compliance / corrective action not taken by the auditee with respect to previous internal audit observations and the reasons for non-compliance thereof; and (c) Revised timelines for compliance of all open items in above and fixation of the responsibility of the concerned process owner.
<b>H</b>	<b>Date</b>		The date of an internal auditor’s report is the date on which the internal auditor signs the report expressing his comments and observations.
<b>I</b>	<b>Internal Auditor’s Signature</b>		The report shall be signed by the internal auditor in his/her personal name.

**ANNEXURE C: INTERNAL AUDIT REPORTING LOG SHEET (TEMPLATE)**

Sr. No	Date of Report	Reporting Period	Report Title	Reported to	Reporting Medium	Reference (if any)	HID Signature
1	dd/mm/yyyy,	dd/mm/yyyy, to dd/mm/yyyy,	Internal Audit Management Letter	Audit Committee	Printed Document		
2							

# **Chapter-7**

# **Pre-Audits**

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**A. SCOPE OF CHAPTER**

This chapter states the policies and procedures of the internal audit (IA) unit for pre-auditing financial transactions in Health Service Academy (HSA). The internal audit shall ascertain and certify that the payment requests are in compliance with applicable laws and regulations, within authorized appropriations, limited to HSA's objectives and supported by proper evidence of receipt of the goods or services ordered.

This chapter covers the following areas:

- Pre-audit threshold
- Pre-audit responsibility
- Pre-audit waiver
- Pre-audit observations

**B. DEFINITIONS**

For the purpose of this chapter following terms shall have given description:

**B.1. INTERNAL CONTROLS**

Systematic measures (such as reviews, checks and balances, methods and procedures) instituted by an organization to conduct its business in an orderly and efficient manner, safeguard its assets and resources, deter and detect errors, fraud, and theft, ensure accuracy and completeness of its accounting data, produce reliable and timely financial and management information, and ensure adherence to its policies and plans.

**B.2. POST- AUDITING**

It involves review of documents or a series of transactions after the transaction has been recorded or consummated.

**B.3. PRE -AUDITING**

It involves examination of documents supporting a transaction or a series of transactions before they are paid for and recorded.

**B.4. RISK ASSESSMENT**

The process of determining the likelihood that a specified negative event will occur.

## **C. POLICIES**

This section contains policies for following aspects of internal audit activity.

- Pre-audit threshold
- Pre-audit responsibility
- Pre-audit waiver
- Pre-audit observations

C.1 PRE AUDIT THRESHOLD

The Audit committee in consultation with Executive Director (ED) and Head of Internal Audit (HID) shall decide the threshold in Pak Rupee value for pre-auditing financial transactions.

Pre-audit shall only be applicable to the payment made to the third parties, however internal audit unit shall reserve its right to pre-audit any transaction deemed necessary, with due notification to the management before release of payment.

Where the payment above the pre-audit threshold has been released without seeking pre-audit certification from internal audit department, it shall be considered a noncompliance to the organizational policies. Such noncompliance shall be reported by the internal audit unit in its biannual audit report.

C.2 PRE-AUDIT RESPONSIBILITIES

- The responsibility to submit transactions for the pre-audit shall be of Finance department.
- Internal Audit shall certify the transaction at least within two (2) working days after receipt from Finance Department.
- Any transaction submitted for pre-audit shall under all circumstances carry complete documentary support (i.e. voucher, cheque and all the documents deemed necessary for making that payment), which verifies that the procedure necessary has been complied with. In case the documentation is not complete, it shall be informed to Finance Department in due time.
- The Internal Auditor shall certify all transactions, which are subject to pre-audit and found correct.
- All or any transactions, which are not acceptable, shall carry a clear noting of the reason for non-certification by internal auditor and this shall be intimated in writing to the Finance Department.

C.3 PRE-AUDIT WAIVER

In unavoidable circumstances, where the transaction qualifies for pre-audit, shall only be waived off by the Executive Director of HSA, with the reasons to be recorded in writing.

C.4 PRE-AUDIT OBSERVATIONS

- The internal audit unit shall keep record of all the observation raised during the pre-audit activity.
- The internal audit unit shall also keep track and follow up the issues being highlighted in pre-audit activities.
- Where the problem identified in pre-audit activity is not resolved by the management, it shall be reported in internal audit biannual report to the Audit Committee.

**D. PROCEDURES**

The internal audit unit shall carryout the pre-audit activity as per procedures provided in this section.

- Pre-audit threshold
- Pre-audit responsibility
- Pre-audit waiver
- Pre-audit observations

D.1 PRE AUDIT THRESHOLD

- The HIA shall review the threshold of pre-audit activity on annual basis. The HIA recommendations shall be based on risk assessment carried out in planning phases.
- HIA shall submit its recommendation to the ED for further review.
- The ED shall present the same to Audit Committee for approval in the audit committee biannual meeting.
- The approval shall be circulated to all concerned departments for implementation.

# **Chapter-8**

# **Internal Audit Record Management**

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**A. SCOPE OF CHAPTER**

This chapter states the Policies and Procedures of the internal audit (IA) unit for its record management. Internal auditors record relevant information to support conclusions and audit results and demonstrate compliance with the Internal Audit Standards. The record

Aid planning, performance and review of internal audit activity

- Document the extent to which internal audit objectives were achieved;
- Facilitate third party reviews (where permitted);
- Provide a basis for assuring the quality of audits; and
- Demonstrate compliance with standards for the professional practice of internal auditing and with relevant legislation and regulations.

This Chapter covers the following areas:

- Responsibilities of managing information
- Information/data security
- Record organization
- Record retention and disposal

**B. DEFINITIONS**

For the purpose of this chapter following terms shall have given description:

**B.1. CENTRAL REPOSITORY**

Location of a collection of documentation, customizations, modifications, or enhancements designed to alleviate the recreation of successfully completed work.

**B.2. DATA ENCRYPTION**

Data encryption is the reversible transformation of data from the original (plain text) version to a difficult-to-interpret format, as a mechanism for protecting its confidentiality, integrity and at times its authenticity.

**B.3. DISASTER RECOVERY**

Disaster recovery is the process, policies and procedures related to preparing for recovery or continuation of technology infrastructure critical to an organization after a natural or human-induced disaster.

**C. POLICIES**

This section contains policies for following aspects of internal audit activity.

- Responsibilities of managing information
- Information/data security
- Record organization
- Record retention and disposal

**C.1 RESPONSIBILITIES OF MANAGING INFORMATION**

The Head of Internal Audit (HIA) shall have the overall responsibility for ensuring that information pertaining to internal audit is managed responsibly by the internal audit unit.

Internal audit staff shall ensure that:

- Information generated by them is relevant, complete, accurate, up to date and filed in the central record repository as soon as possible
- Information used to monitor progress on audits is updated regularly
- Changes made to information are reflected in all copies
- Any hardware (e.g. laptops, printers, palmtops, memory devices) and the information they hold are protected in line with the HSA's security/policy arrangements
- That vital information is frequently backed up so that it is not all lost in the event of hardware failure or theft
- Disaster recovery arrangements are in line with the HSA's policies

C.2 INFORMATION / DATA SECURITY

Information security shall involve:

- Protecting information from unauthorised access or disclosure (confidentiality);
- Ensuring that systems and information are complete and free from unauthorised change or modification (integrity); and
- Ensuring that information is available to authorised users when and where required (availability).

### C.3 RECORD ORGANIZATION

A file structure shall be designed to ensure that every piece of information has a logical placement and can be located quickly and easily. Internal audit file structures shall be a reflection of audit programmes with files for individual reviews and other more general documents such as those generated by the HIA or admin support functions.

Filing systems shall be paper-based, electronic or a mixture of both.

Internal Audit information and records shall be organised to ensure that:

- Staff can work effectively and efficiently without having to waste time hunting for Information
- Internal auditors can find what they need quickly and easily or determine who has the data
- New staff can learn to use the system quickly
- Any risks that information can be accidentally amended, deleted or that confidential information can be accidentally disseminated are minimised
- Internal audit work is conducted in an orderly, efficient and accountable manner;
- Audit findings, conclusions and recommendations are fully documented and supported;
- Continuity is provided in the event of a disaster
- Legislative and regulatory requirements are met;
- Records are relevant, reliable, authentic, complete and usable;
- Records are retained only for as long as they are needed and disposed of in accordance with the organisation's information disposal rules, relevant regulations and legislation;
- New staff can see what has been done, or not done, and why;
- Any decisions made can be justified or recognised at a later date.

**C.4 RECORD RETENTION & DISPOSAL**

HIA shall develop retention requirements for records, regardless of the medium in which each record is stored. These retention requirements shall be consistent with the organisation's guidelines and any pertinent regulatory or other requirements.

**D. PROCEDURES**

The internal audit unit shall carryout the internal audit record management as per procedures provided in this section.

Responsibilities of managing information

Information / data security

Record organization

Record retention & disposal

## D.1 RESPONSIBILITIES OF MANAGING INFORMATION

The HIA shall manage the internal audit information through the internal audit staff;

- During the course of internal audit, original paper records owned by the auditee under review shall be kept evidence to support findings where needed.
- Copies shall be made out, where an original evidence is required, a copy of the record or a marker should be placed in the Auditee's file and the original shall be returned as soon as possible.
- In order to maintain audit trails where required, the original records shall remain within the internal audit records system until the audit is completed (e.g. when all actions have been agreed and completed by management). These documents shall be held securely when in the custody of internal audit.
- The integrity of information and records being used by internal audit shall be maintained and a clear distinction made between the records used and those created by the audit unit.

**D.2 INFORMATION / DATA SECURITY**

The HIA shall ensure that all of the departmental information is locked up securely. To ensure this:

- The sensitivity and confidential nature of the information shall be well defined. All internal audit staff shall be trained to understand their duty of confidentiality for information
- HIA shall make staff aware of their responsibilities regarding the management of auditee information both at their office and out in the field or other departments.
- All internal audit records and auditee information shall be stored in secure locations.
- File directories shall be duly maintained, in time additions and deletions shall be made to the directories by the internal audit officer(s). Deletion from the directory shall be authorized by the HIA.
- The record shall be well referred for timely access.
- In case the files are maintained in electronic form, monthly backups shall be the made to avoid any data loss. The backup files shall be kept at a secure place.
- Editing and viewer ship rights shall be fixed with due care.
- Internal audit unit shall take all necessary measure for password protection and data encryption on the shared networks.
- Sharing of information with other departments and external bodies shall be authorized by the HIA.

## D.3 RECORD ORGANIZATION

Internal audit information and records shall be appropriately organised. The audit officer(s) shall be responsible for the proper implementation of the filing system according to this manual. The following files shall be maintained in the Internal Audit unit:

<b>File No.</b>	<b>File Name</b>
IAD-01	<b>General File</b> <i>Contains the general information and documentation.</i>
IAD-02	<b>Correspondence File</b> <i>Contains all communications and correspondence in the form of letters or e-mails.</i>
IAD-03	<b>Agreements / Contracts File</b> <i>Contains the copies of all relevant agreements/contracts necessary for the conduct of internal audit</i>
IAD-04	<b>Audit File of each department</b> <i>Contains the documents of permanent and current nature</i> <i>Permanent Portion</i> Management structure Contribution agreements Other contracts/agreements/documents of permanent nature. <i>Current Portion</i> Internal Audit Planning document Internal audit programs and checklists Working papers Financial Statements Key copies of evidences
IAD-05	<b>Special / Efficiency Audit Assignments</b> <i>Contains the copy of all important documents relating to the assignment conducted.</i>
IAD-06	<b>Pre-audit record</b> <i>Contains documents pertaining to pre-audit activity</i> Pre audit log sheets Pre audit voucher copies(if required)

**D.4** RECORD RETENTION & DISPOSAL

- Internal audit record shall be retained in their original form for at least a period of ten (10) years.
- Internal audit unit where needed shall retain records longer than prescribed period and shall determine the period based on the following considerations, their administrative needs and the cost of storage.
- Internal audit unit shall keep their retention practices under review. Considerations that apply to the retention period of particular records shall be:
  - o **Statutory requirements** - Various statutes prescribe minimum retention periods for
  - o **Certain** classes of records. The HIA shall ensure all statutory requirements have been complied with.
  - o **Administrative needs** – Internal audit unit shall consider whether records that do not need to be preserved permanently should be retained for administrative purposes longer than the minimum time required and by any relevant statutory requirement. Internal Auditors and other consultancy, inspection and review services can also make use of such records in the course of their reviews and shall therefore be consulted about their requirements. Longer retention shall be necessary to enable departments to handle to settle disputes or for the satisfactory conduct of departmental activities including departments own and their internal auditors' need to monitor past decisions and actions.
  - o **Requirements of external audit** - Records supporting transactions including vouchers, schedules and other authorities shall be retained until the completion of the audits

**ANNEXURE – A**  
**RETENTION SCHEDULE**

The retention of internal audit information shall be considered in the light of both business (e.g. internal audit quality review purposes) and legislative requirements taking into account the cost of retention and the use to which the records might be put in the future.

The following sample schedule gives an indication of minimum retention periods for internal audit records after which it shall be reviewed to determine whether they shall be kept for longer, destroyed or sent to an archive for permanent preservation. The retention period starts after audits are completed.

Item	Description	Minimum Retention Period	Maximum retention Period
Reports			
1.	Audit reports (including interim) where these have included the examination of long-term contracts.	10 year	12 years
2.	Report papers used in the course of a fraud investigation.	10 year after legal proceedings have been completed	12 years after legal proceedings have been completed
Undertakings			
3.	Terms of reference.	When superseded.	When superseded.
4.	Programmes/plans/strategies	As soon as they have been replaced by a new programme/plan/strategy.	10 year after the last date of the
5.	Code of Conduct	When superseded.	When superseded.

Item	Description	Minimum Retention Period	Maximum retention Period
6.	Correspondence	10 year	12 year
7.	Minutes of meetings and related papers.	10 year	12 years
8.	Working papers.	After completion of activity (i.e. when all agreed actions have been implemented by management) for 10 years	12 years
Other Information			
9.	Internal audit guides.	When superseded.	When superseded.
10.	Manuals and guides relating to departmental procedures.	When superseded.	When superseded.
11.	Laws, regulations and standards	When superseded.	When superseded.

# **Chapter-9**

## **Consideration of Fraud In An Internal Audit**

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**A. SCOPE OF CHAPTER**

The purpose of this chapter is to provide policies and procedures to internal auditors about their role in helping Health Service Academy (HSA) to manage the risk of fraud and corruption, effectively.

This Chapter covers the following areas:

- Fraud & corruption, internal auditor's role
- Fraud risk management
- Potential fraud detected during internal audit activity
- Donor regulations and compliance

**B. DEFINITIONS**

For the purpose of this chapter following terms shall have given description:

**B.1. BRIBERY**

Bribery refers to the offering, giving, receiving, or soliciting of something of value for the purpose of influencing the action of an official in the discharge of his or her public or legal duties.

**B.2. CORRUPTION**

Corruption refers to an act done with intent to give some advantage inconsistent with official duty and the rights of others. It includes bribery, but is more comprehensive; because an act may be corruptly done, though the advantage to be derived from it is not offered by another.

**B.3. DEFALCATION**

Defalcation implies that funds have in some way been mishandled, particularly where an officer has breached his or her fiduciary duty. It is commonly applied to public officers who fail to account for money received by them in their official capacity, or to officers of corporations who misappropriate company funds for their own private use.

**B.4. FRAUD**

An intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception to obtain an unjust or illegal advantage.

**B.5. FRAUD RISK FACTORS**

Events or conditions that indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud.

**B.6. MONEY LAUNDERING**

Money laundering is the process by which the proceeds of crime, which have illegitimate origins, are converted into assets that appear to be legitimate.

## **C. POLICIES**

This section contains policies for following aspects of internal audit activity.

- Fraud & Corruption Internal Audit's role
- Fraud Risk Management
- Potential Fraud Detected During The Internal Audit Activity
- Donor regulations and compliance

C.1 FRAUD AND CORRUPTION INTERNAL AUDITOR'S ROLE

- Internal auditors shall acquire sufficient knowledge to evaluate the risk of fraud and the manner in which it is managed by the organization, but shall not be expected to have the expertise of a person whose primary responsibility is detecting and investigating fraud
- Internal auditors shall exercise due professional care by considering the probability of significant errors, fraud or non-compliance
- The internal audit activity shall evaluate the potential for the occurrence of fraud and how the organization manages fraud risk; and
- Internal auditors shall consider the probability of significant errors, fraud, noncompliance and other exposures when developing the internal audit objectives. It shall not be a primary role of internal audit to detect fraud and corruption. Internal audit's role shall be to provide an independent opinion based on an objective assessment of the framework of governance, risk management and control.

C.2 FRAUD RISK MANAGEMENT

The Head of Internal Audit (HIA) shall be responsible to assess the adequacy of Health Service Academy's (HSA's) fraud risk management.

C.3 FRAUD DETECTED DURING THE INTERNAL AUDIT ACTIVITY

The HIA shall take appropriate action in case where potential fraud is detected during the audit activity.

C.4 DONOR REGULATIONS AND COMPLIANCE

The Head of Internal Audit (HIA) shall have the responsibility to ensure that the donor regulations pertaining to detection and reporting of fraud or corruption have been complied with.

**D. PROCEDURES**

The internal audit unit shall carryout the internal audit record management as per procedures provided in this section.

- Fraud and corruption internal auditor's role
- Fraud risk management

## D.1 FRAUD AND CORRUPTION INTERNAL AUDITOR'S ROLE

The internal auditors shall exercise due care during their course of internal audit activity.

The following indicators tests shall assist the internal auditors to determine where any fraud or corruption might exist;

<b>Fraud Risk Indicators</b>	<b>Tests Used to Discover This Fraud</b>
Fictitious vendors	<ul style="list-style-type: none"> <li>• Run checks to uncover post office boxes used as addresses and to find any matches between vendor and employee addresses and/or phone numbers</li> <li>• Be alert for vendors with similar sounding names or more than one vendor with the same address and phone number</li> </ul>
Altered invoices	<ul style="list-style-type: none"> <li>• Search for duplicates</li> <li>• Check for invoice amounts not matching contracts or purchase order amounts</li> </ul>
Fixed bidding	<ul style="list-style-type: none"> <li>• Summarize contract amount by vendor and compare vendor summaries for several years to determine if a single vendor is winning most bids</li> <li>• Calculate days between close for bids and contract submission date by vendor to see if the last bidder consistently wins the contract</li> </ul>
Goods not received	<ul style="list-style-type: none"> <li>• Search for purchase quantities that do not agree with contract quantities</li> <li>• Check if inventory levels are changing appropriate to supposed delivery of goods</li> </ul>
Duplicate invoices	<ul style="list-style-type: none"> <li>• Review for duplicate invoice numbers, duplicate date, and invoice amounts</li> </ul>
Inflated prices	<ul style="list-style-type: none"> <li>• Compare prices across vendors to see if prices from a particular vendor are unreasonably high</li> </ul>
Excess quantities purchased	<ul style="list-style-type: none"> <li>• Review for unexplained increases in inventory</li> <li>• Determine if purchase quantities of materials are appropriate</li> </ul>
Duplicate payments	<ul style="list-style-type: none"> <li>• Search for identical invoice numbers and payments amounts</li> <li>• Check for repeated requests for refunds for invoices paid twice</li> </ul>
Carbon copies	<ul style="list-style-type: none"> <li>• Search for duplicates within all HSA's cheques cashed; conduct a second search for gaps in check numbers</li> </ul>
Duplicate serial numbers	<ul style="list-style-type: none"> <li>• Determine if high value equipment HSA already owns is being repurchased by checking serial numbers for duplicates and involvement of same personnel in purchasing</li> </ul>

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	and shipping processes
Payroll fraud	<ul style="list-style-type: none"><li>• Find out if a terminated employee is still on payroll by comparing the date of termination with the pay period covered by the pay check and extract all pay transactions for departure date less than date of current pay period</li></ul>
Accounts payable	<ul style="list-style-type: none"><li>• Reveal transactions not matching contract amounts by linking Accounts Payable files to contract and inventory files and examining contract date, price, ordered quantity, inventory receipt quantity, invoice quantity, and payment amount by contract</li></ul>

**D.2 FRAUD RISK MANAGEMENT**

The internal auditor shall assess the adequacy of fraud-risk management in HSA:

It shall assess the adequacy by evaluating following;

- Does the Board and audit committee have clear responsibilities with respect to fraud and corruption risk management?
- Does HSA set the tone at the top and have a clear anti-fraud/corruption strategy including, for example, a policy that coordinates on-going activities for the prevention and detection of fraud?
- Does HSA perform background checks on all potential new employees? Are background checks carried out on staff being promoted into positions of trust?
- Is there a documented process for recording, tracking and responding to all allegations or suspicions of crime (e.g. whistle blowing)?
- Are regular assessments of attitudes, incentives, pressures and opportunities to commit crime across the organization carried out?
- Have the categories of fraud and corruption likely to affect HSA have been identified and the exposure arising from each risk assessed? Has this assessment recognized all types of fraud and corruption risk including bribery and money laundering and defalcation?
- Has the Academy assessed whether identified risks are mitigated by existing internal controls and evaluated the design and effectiveness of those controls (e.g. authorization/approval, segregation of duties)?
- Are there effective channels in place to promote the flow of quality information up, down and across the organization?
- Is fraud and corruption awareness training provided to all employees (e.g. as part of induction)? Is the training supported with regular updates or other promotional campaigns?
- Are there adequate procedures in place to ensure that, on a regular and continuing basis, senior management considers the effectiveness of the control environment and whether the risk assessment and mitigating controls require amendment or update?

**D.3 FRAUD DETECTED DURING THE INTERNAL AUDIT ACTIVITY**

If during the internal audit assignment internal auditors identify control weaknesses that could lead to fraud or corruption, the auditor shall:

- Immediately report the matter to an HIA;
- Decide with the HIA whether to extend audit work to include additional tests directed towards the identification of activities which may indicate that fraud or corruption is occurring, taking care not to alert potential perpetrators or to prejudice any subsequent investigation;
- Make recommendations to management to reduce the risk of fraud or corruption;
- Ensure that the extent of the concern is captured, so that implications can be considered in the formation of the HIA's overall assurance

If evidence is discovered that indicates fraud and corruption is occurring, actions to take shall include:

- Immediately reporting concerns to the HIA who shall follow any guidelines set out in HSA's fraud policy and response plan;
- Ensuring that appropriate action is taken as part of the HSA's response.
- If internal audit is asked to lead, or participate in, an investigation into a possible fraud or corruption case, it shall be made clear to management that any such work is separate to the established internal audit role. The work shall only be accepted if specific skills and experience are available to the service and arrangements shall be made to ensure that such work is able to be independently audited at a later stage, avoiding any conflicts of interest.

D.4 DONOR REGULATIONS AND COMPLIANCE

Internal auditor shall ensure that the donor regulations are followed in case any fraud and corruption has been detected.

In case of USAID projects the guidelines provided in Annexure A shall be followed.

**ANNEXURE – A**  
**FRAUD REPORTING GUIDANCE**  
**FOR USAID IMPLEMENTING PARTNERS**

**Obligation to Report**

USAID contractors and implementing partners have an affirmative obligation to report allegations of fraud related to USAID projects under both the Federal Acquisition Regulations (FAR) and USAID regulations. The timely reporting of fraud allegations allows the OIG, USAID, and the implementing partner to efficiently protect taxpayer funds while moving forward with important program activities. Examples of schemes uncovered in USAID funded projects include: corruption (bribery, kickbacks, and gratuities), collusive behaviour between vendors and/or procurement staff, product substitution, false claims (billing for goods and services not provided), embezzlement or theft, and other types of procurement fraud.

**FAR 52-203-13 Reporting Requirements (Pertains to Contracts/Subcontracts)**

“Timely disclosure, in writing, to the agency OIG, with a copy to the Contracting Officer, whenever, in connection with the award, performance, or closeout of any Government contract performed by the Contractor or a subcontract there under, the Contractor has

credible evidence that a principal, employee, agent, or subcontractor of the Contractor has committed a violation of Federal criminal law involving fraud, conflict of interest, bribery, or gratuity violations found in Title 18 U.S.C. or a violation of the civil False Claims Act (31 U.S.C. 3729-3733)”.

**Reports Related to Cooperative Agreements and Grants**

The general guidelines for the proper execution of cooperative agreements and grants are listed within 22 CFR 226 (Administration of Assistance Awards to US. Non Governmental Organizations). These guidelines address internal controls, financial accounting systems, and the requirement for full and fair competition and outline various courses of action available to Agreement Officers when violations occur. Included in 22CFR 226.62 (Enforcement) is the authority for an Agreement Officer to disallow all or part of any transaction made by an implementing partner not in compliance with these regulations.

**Title 18 U.S. Code Section 4— Misprision of a Felony**

Whoever, having knowledge of the actual commission of a felony cognizable by a court of the United States, conceals and does not as soon as possible make known the same to some judge or other person in civil or military authority under the United States, shall be fined under this title or imprisoned not more than three years, or both.

**PROCEDURES**

**Initial Notification:** When a USAID implementing partner becomes aware of a potential situation involving fraud, corruption, or false claims related to a USAID project, the OIG should be notified as soon as possible. The notification should be made to: [http://www.usaid.gov/oig/hotline/contractor\\_complaint\\_frm2.html](http://www.usaid.gov/oig/hotline/contractor_complaint_frm2.html). In the event the allegations relate to an ongoing contract, the notification should also be sent to the contracting officer in accordance with FAR 52-203-13.

**OIG Review and Consultation:** Once the OIG receives the initial allegation, it will be reviewed and the organization submitting the report will be contacted to further discuss the matter. If the allegation involves ongoing criminal misconduct, the implementing partner should refrain from any activity that may interfere with any future or ongoing investigation. If the implementing partner is not certain how to proceed, they can contact OIG investigations in Washington or an investigator assigned to the servicing

**Regional Inspector General Office:** Investigation by OIG: In some cases, the OIG will initiate an investigation and will advise the implementing partner of what actions should be taken. When the OIG initiates an investigation, it is critical that the implementing partner cooperate and assist in preserving data that may be needed.

**Investigation by Implementing Partner:** In other cases, the OIG and the implementing partner may mutually agree that the implementing partner will conduct its own investigation of the allegations. The OIG and the implementing partner will mutually decide on a period of time for the inquiry. At the conclusion of the investigation, the implementing partner should provide the following information:

- a) A report of investigation outlining the investigative steps completed and the results.
- b) A copy of any personnel actions taken by the implementing partner as a result of the investigation.
- c) A summary of the financial impact, if any, of the activity investigated. This should include a detailed summary of any potentially disallowable costs (in accordance with either the FAR or 22 CFR 226 as appropriate) as well as any losses due to fraud or other inappropriate activity.

**Disclosure of Information to USAID Compliance and Oversight of Partner**

Performance (COPP) Division: Once the investigation is completed, a copy of the above-listed documents should also be sent to the USAID COPP Division at [complianceusaid.gov](http://complianceusaid.gov) as well as to the servicing contracting or agreement officer.

# **Chapter-10**

# **Gender Policies and Compliance**

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**A. SCOPE OF CHAPTER**

This Chapter states the policies and procedures of the internal audit unit for conducting internal audit activity to support gender mainstreaming within HSA.

This Chapter covers the following areas:

- Gender mainstreaming
- Compliance with HSA policies and procedures
- Reporting
- Follow up

**B. DEFINITIONS**

For the purpose of this chapter following terms shall have given description:

**B.1. GENDER EQUALITY**

Refers to the different behaviour, aspirations and needs of women and men are equally valued and favoured and do not give rise to different consequences that reinforce inequalities

**B.2. GENDER IMPACT ANALYSIS/ASSESSMENT**

Examines policies and practices to ensure they have equally beneficial effects on women and men. It identifies the existence and extent of differences between women and men and the implications of these differences for specific policy areas. It assesses policies and practices to see whether they will affect women and men differently so as to neutralise discrimination and provide equality. Where possible, it needs to use statistics and indicators disaggregated by gender.

**B.3. GENDER MAINSTREAMING**

Gender mainstreaming involves ensuring that gender perspectives and attention to the goal of gender equality are central to all activities - policy development, research, advocacy/dialogue, legislation, resource allocation, and planning, implementation and monitoring of programs and projects. All project proposals and official documents will have gender sensitive language, context, content, targets and outcomes

## **C. POLICIES**

This section contains policies for following aspects of internal audit activities

- Gender mainstreaming
- Compliance with HSA policies and procedures
- Reporting
- Follow up

C.1. GENDER MAINSTREAMING

Internal audit unit shall ensure that HSA is;

- Mainstreaming gender into all policies and procedures, internal practices, and ways of working, and shall reflect commitment to gender equality, ensuring that HSA's work improves lives of both women and men and promotes gender equality
- Investing dedicated resources in engendering all of HSA's activities to increase relevance, effectiveness and efficiency by bringing the respective needs of women and men to the core of all planning.

C.2. COMPLIANCE WITH HSA POLICIES

Internal auditor along with other compliance tests shall check compliance of HSA policies to ensure gender mainstreaming specifically in the following areas;

- Business ethics
- Harassment and Discrimination policy
- Sexual exploitation policy
- Working environment
- Personal conduct
- Grievances
- Investigation and Disciplinary actions

C.3. REPORTING ON NON COMPLIANCE

In case the internal audit become aware of any non compliances or gaps identified in its internal audit activity, he/she shall report the same to an appropriate level of organization for necessary action.

C.4. FOLLOW UP

The internal audit shall carry out the follow up of the issue identified in the report.

The nature, timing and extent of the follow-up activities shall take into account the significance of the reported finding and the effect if corrective action is not taken. The timing of internal audit follow-up activities in relation to the original reporting shall be a matter of professional judgement dependent on a number of considerations, such as the nature or magnitude of associated risks and costs to the organisation.

**D. PROCEDURE**

The internal audit unit shall carry out the following procedures

- Gender mainstreaming
- Compliance with HSA policies and procedures
- Reporting
- Follow up

**D.1. GENDER MAINSTREAMING**

Internal audit unit shall carry out gender impact analysis to review how gender mainstreaming is incorporated in HSA's;

- Policy design
- Decision-making
- Access to resources
- Procedures and practices
- Methodology
- Implementation
- Monitoring and evaluation

The internal audit unit shall carry out following procedures to ensure that gender mainstreaming is given due importance within HSA:

- Review of measures in place that recognise, respect and meet the different needs of both genders. Assessing how HSA find out their specific needs and how do you meet these needs?
- Review of staff composition in terms of women or men, at different levels and areas of responsibility been recruited within HSA.
- Review the ability to understand gender equality issues are requirement for employment and how HSA provide gender training for newly arrived staff that do not have this knowledge.
- Analysis of flexible working hours (if any) offered in HSA for women and men staff and study the gender pattern for its utilization.
- Review HSA's pay structure to ensure there is equal pay among staff and fair and equal opportunities to receive training and access career opportunities within the organisation.
- Review training need assessment forms to evaluate how staff skills and knowledge is used to determine training needs and whether gender equality training provided for all staff.
- Analyse how gender equality issues are taken into account in HSA's bids for goods and services. For example, can make clear HSA buy only from companies that practice gender equality.
- Review HSA recruitment procedure to take account of equality between women and men (publicity campaigns, information brochures, selection procedures).

D.2. COMPLIANCE WITH HSA POLICIES

- The internal audit officer while drafting its internal audit program shall ensure that time and resources are allocated for ensuring compliance with HSA policies regarding gender mainstreaming within HSA.
- The Head of internal audit shall review the internal audit procedures specifically designed for ensuring compliance with the gender mainstreaming policies of HSA.
- All relevant departments/personal shall provide information requested by the internal audit unit.

D.3. REPORTING

The internal audit officer shall draft the initial findings of the matter as result of procedures performed to review gender mainstreaming impact on HSA policies and procedures along with the compliance with those policies.

The head of internal audit shall review the draft and seek comments from the relevant staff.

The report shall be submitted to the Executive Director for immediate action.

The head of internal audit shall also frame the matter in the periodical internal audit report, where the matter was reported on an occasion other than biannual internal audit activity.

**D.4. FOLLOW UP**

Internal audit staff shall carry out the follow up of the matter at an appropriate interval. The head of internal audit shall be responsible to ensure that the internal auditors have taken all measures to identify and report the matter to the appropriate level shall ensure;

- The recording of a time frame within which management shall respond to agreed-upon recommendations
- An evaluation of management's response
- A verification of the response, if thought appropriate
- Follow-up work,
- A communications procedure that escalates outstanding and unsatisfactory responses/actions to the appropriate levels of management
- A process for providing reasonable assurance of management's assumption of associated risks, in the event that remedial action is delayed or not proposed to be implemented
- In case where the management has not been able to resolve the matter in due time it shall be reported to the audit committee by the HID.

# **Chapter-11**

# **Risk Management**

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**A. SCOPE OF CHAPTER**

This Chapter states the Policies and Procedures of the internal audit (IA) unit for enterprise risk management.

This Chapter covers the role of internal auditor in providing advice, and supporting management's decisions on risk, as opposed to making risk management decisions.

**B. DEFINITIONS**

For the purpose of this chapter following terms shall have given description:

**B.1. CONTROL**

Any action taken by management, the board, and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organizes, and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved

**B.2. ENTERPRISE-WIDE RISK MANAGEMENT (ERM)**

ERM is a structured, consistent and continuous process across the whole organization for identifying, assessing, deciding on responses to and reporting on opportunities and threats that affect the achievement of its objectives

**B.3. RISK**

The possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.

**B.4. RISK APPETITE**

The level of risk that an organization is willing to accept.

**B.5. RISK ASSESSMENT**

The process of determining the likelihood that a specified negative event will occur.

**B.6. RISK MANAGEMENT FRAMEWORK:**

The totality of the structures, methodology, procedures and definitions that an organization has chosen to use to implement its risk management processes.

**B.7. RISK MANAGEMENT PROCESSES**

Processes to identify, assess, manage, and control potential events or situations, to provide reasonable assurance regarding the achievement of the organization's objectives.

**B.8. RISK MATURITY**

The extent to which a robust risk management approach has been adopted and applied, as planned, by management across the organization to identify, assess, decide on responses to and report on opportunities and threats that affect the achievement of the organization's objectives.

**B.9. RISK RESPONSES**

The means by which an organization elects to manage individual risks. The main categories are to tolerate the risk; to treat it by reducing its impact or likelihood; to transfer it to another organization or to terminate the activity creating it.

**C. POLICIES**

This section contains policies to suggest ways for internal auditors to maintain the objectivity and independence required by The IIA's International Standards for the Professional Practice of Internal Auditing (Standards) when providing assurance on enterprise risk managements.

### C.1 INTERNAL AUDITROLE IN ERM

Internal audit's core role with regard to Enterprise Risk Management (ERM) shall be to provide objective assurance to the board on the effectiveness of an organization's ERM activities to help ensure key business risks are being managed appropriately and that the system of internal control is operating effectively.

The factors head of internal audit (HID) shall take into account when determining internal audit's role are whether the activity raises any threats to the internal auditors' independence and objectivity, and whether it is likely to improve the organization's risk management, control, and governance processes.

Core internal auditing roles in regard to ERM shall be;

- Giving assurance on risk management processes.
- Giving assurance that risks are correctly evaluated.
- Evaluating risk management processes.
- Evaluating the reporting of key risks.
- Reviewing the management of key risks.

Legitimate internal auditing roles with safeguards shall be;

- Facilitating identification and evaluation of risks.
- Coaching management in responding to risks.
- Coordinating ERM activities.
- Consolidating the reporting on risks.
- Maintaining and developing the ERM framework.
- Championing establishment of ERM.
- Developing risk management strategy for board approval.

Roles internal auditors shall NOT undertake.

- Setting the risk appetite.
- Imposing risk management processes.
- Management assurance on risks.
- Taking decisions on risk responses.
- Implementing risk responses on management's behalf.
- Accountability for risk management.

The Academy shall fully understand that management remains responsible for risk management. Internal auditors shall provide advice, and challenge or support management's decisions on risk, as opposed to making risk management decisions.

**D. PROCEDURES****D.1. INTERNAL AUDIT ROLE IN ERM**

The internal audit unit shall review the structure, effectiveness and maturity of an enterprise risk management system. In doing so, he/she shall consider whether the enterprise has developed a risk management policy setting out roles and responsibilities and framing a risk management activity calendar.

The internal auditor shall review the maturity of an enterprise risk management structure by considering whether the framework so developed, inter alia:

- protects the enterprise against surprises;
- stabilizes overall performance with less volatile earnings;
- operates within established risk appetite;
- protects ability of the enterprise to attend to its core business; and
- Creates a system to proactively manage risks.

## D.2 INTERNAL AUDIT PLAN AND RISK ASSESSMENT

The internal auditor shall perform an annual risk assessment of HSA, to develop a plan of audit for the subsequent period. This plan shall be reviewed at various frequencies in practice.

This typically involves review of the various risk assessments performed by HSA (e.g., strategic plans, competitive benchmarking, etc.), consideration of prior audits, and interviews with a variety of senior management. It shall be designed for identifying internal audit key areas and, not for identifying, prioritizing, and managing risks directly for the enterprise.

The internal audit plan, which shall be approved by the audit committee, shall be based on risk assessment as well as on issues highlighted by the audit committee and senior management.

The risk assessment process shall be of a continuous nature so as to identify not only residual or existing risks, but also emerging risks. The risk assessment shall be conducted formally at least annually.

To serve this objective, the internal auditor shall design the audit work plan by aligning it with the objectives of International standards on Internal Audit and risks of the enterprise and concentrate on those issues where assurance is sought by Audit committee or Board of Governors.

The risk review process to be carried out by the internal auditor shall provide the assurance that there are appropriate controls in place for the risk management activities and that the procedures are understood and followed. Effective enterprise risk management requires a monitoring structure to ensure that the risks are effectively identified and assessed and that the appropriate mitigation plans are in place.

The review process conducted by internal auditors will help to determine, inter alia:

- whether the adopted measures result in what was intended;
- whether the procedures adopted and information gathered for undertaking the assessment were appropriate; and
- further, improved knowledge would help in reaching better decision and identifying the lessons to improve future assessment and management of risks.

The internal auditor should submit his/her report to the Audit Committee, delineating the following information:

- Assurance rating (segregated into High, Medium or Low) as a result of the review;
- Tests conducted;
- Samples covered; and
- Observations and recommendations.

# **Risk Assessment (Tool Kit)**

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**Section 1 – Financial Close Process**

The financial close process is the single largest source of internal controls weaknesses. Some of the most common challenges include revenue recognition, accruals, capitalization. For this reason it is typically a major focus of most audits. The following checklist highlights the key controls that internal auditor shall test.

<b>S.no</b>	<b>Activity</b>	<b>Description of Control / Point of Focus</b>	<b>Risk Ranking</b>
1.	Financial Close	Accounting policies exist, are kept current, and are communicated to the appropriate personnel.	
2.	Financial Close	Procedures are in place to ensure that all transactions are recorded in accordance with IFRS.	
3.	Financial Close	Close procedures including due dates, responsibilities, disclosure updates and account classifications are defined, communicated and implemented.	
4.	Financial Close	The standard reporting format is utilized.	
5.	Financial Close	Access to accounting and reporting applications is limited to the appropriate individuals.	
6.	Financial Close	A journal entry input is restricted to the authorized personnel.	
7.	Financial Close	There is a checklist of the standard closing journal entries made at month-end, quarter-end, and year-end.	
8.	Financial Close	Pre-numbered vouchers are used to ensure that all non-recurring entries are processed only once in the system.	
9.	Financial Close	Manual journal entries have adequate supporting documentation and are approved by the appropriate level of management.	
10.	Financial Close	Standardized journal entries are used for recurring journal entries.	
11.	Financial Close	Journal entries are supported and authorized before being posted.	
12.	Financial Close	System logic prevents journal entries for which debits do not equal credits.	
13.	Financial Close	The system will not allow journal entries to be recorded to a closed accounting period.	
14.	Financial Close	System logic will not allow duplicate journal entry numbers.	
15.	Financial Close	A procedure detailing the calculation of specific accruals and recording rules exists and is consistently applied.	
16.	Financial Close	Write-offs and reserves are clearly defined, consistently applied, and monitored in accordance with HSA's policy.	
17.	Financial Close	All account balances are reconciled prior to closing the books, including confirming that balances agree with related parties.	
18.	Financial Close	Significant variances in reconciliations are investigated and resolved timely.	
19.	Financial Close	Fluctuation analysis of actual to budget or prior periods is performed.	
20.	Financial Close	Duties are appropriately segregated in closing process.	
21.	Financial Close	Access/authorization controls are in place to maintain the integrity of the chart of accounts.	
22.	Financial Close	Procedure is in place to identify any changes to master data that have significant financial accounting and/or reporting implications to the accounting department	
23.	Financial Close	A procedure is in place to identify and communicate transactions/events that have significant financial accounting and/or reporting implications to the accounting department.	

**Section 2 – Entity Level Controls - Control Environment**

The control environment helps define the atmosphere in which people conduct their activities and carry out their control responsibilities. It sets the tone of an organization by influencing the control consciousness of its people. It is the foundation for all other components of internal controls and provides discipline and structure. Control environment factors include the integrity, ethical values, and competence of the organization's people; management's philosophy and operating style; the way management assigns authority and responsibility; the way management organizes and develops its people; and the attention and direction provided by the audit committee and board of directors.

The objective of the control environment is to establish and promote a collective attitude toward achieving effective internal control over the entity's business. . The following checklist highlights the key controls that internal auditor shall test.

<b>S.no</b>	<b>ERM Attribute</b>	<b>Description of Control / Point of Focus</b>	<b>Risk Ranking</b>
1.	Integrity & Ethical Values	A code of conduct and other policies exist regarding acceptable business practices, conflicts of interest, or expected standards of ethical and moral behaviour.	
2.	Integrity & Ethical Values	There is established "tone at the top" including explicit guidance about what is right and what is wrong. This tone is communicated and practiced by executives and management throughout the organization. Employees are aware of what to do when they encounter improper behaviour.	
3.	Integrity & Ethical Values	Management follows ethical guidelines in dealing with employees, suppliers, creditors, insurers, competitors, regulators, and auditors.	
4.	Integrity & Ethical Values	The importance of high ethics and controls is discussed with newly hired employees through orientations or interviews.	
5.	Integrity & Ethical Values	Management removes or reduces incentives or temptations that might cause personnel to engage in dishonest or unethical acts.	
6.	Integrity & Ethical Values	Management takes appropriate disciplinary action in response to departures from approved policies and procedures or violations of the code of conduct.	
7.	Integrity & Ethical Values	Situations involving pressure to meet unrealistic targets do not exist or are properly controlled - particularly for short-term results.	
8.	Integrity & Ethical Values	Individual compensation awards are in line with the ethical values of the Academy, and foster an appropriate ethical tone (e.g. bonuses are not given to those that meet objective, but in the process circumvent established policies, procedures, or controls).	
9.	Commitment to Competence	Personnel are cross-trained to understand other functions and the impact of their specific duties on other areas of the Academy.	
10.	Commitment to Competence	Management possesses broad functional experience (i.e., management comes from several functional areas rather than just a few, such as production and sales).	
11.	Commitment to Competence	Management provides personnel with access to training programs on relevant topics.	
12.	Commitment to Competence	Formal job descriptions or other means of defining tasks that comprise particular jobs exist and are effectively used.	
13.	Commitment to Competence	Adequate staffing levels are maintained to effectively perform required tasks.	
14.	Management's Philosophy & Operating Style	Turnover in management or supervisory personnel is monitored and the reasons for significant turnover are evaluated.	

15.	Management's Philosophy & Operating Style	Senior management maintains contact with and consistently emphasizes appropriate behavior to operating personnel.	
16.	Management's Philosophy & Operating Style	Management exemplifies attitudes and actions reflecting a sound control environment and commitment to ethical values.	
17.	Management's Philosophy & Operating Style	Management adopts accounting policies that best reflect the economic realities of the business.	
18.	Organizational Structure	Executives clearly understand their responsibility and authority for business activities and how they relate to the entity as a whole.	
19.	Organizational Structure	The entity establishes appropriate lines of reporting, giving consideration to its size and the nature of its activities.	
20.	Organizational Structure	The structure of the entity facilitates the flow of information to appropriate people in a timely manner.	
21.	Organizational Structure	Incompatible duties are segregated (e.g., separation of accounting for and access to assets)	
22.	Assignment of Authority & Responsibility	Employees throughout the entity are assigned authority and responsibility related to their specific job functions.	
23.	Assignment of Authority & Responsibility	Job descriptions contain specific references to control-related responsibilities.	
24.	Assignment of Authority & Responsibility	Employees are empowered, when appropriate, to correct problems or implement improvements.	
25.	Assignment of Authority & Responsibility	There is a structure for assigning ownership of information including who is authorized to initiate or change transactions.	
26.	Assignment of Authority & Responsibility	There are policies and procedures for authorization and approval of transactions.	
27.	Human Resources Policies & Procedures	Management establishes and enforces standards for hiring the most qualified individuals, with emphasis on educational background, prior work experience, past accomplishments, and evidence of integrity and ethical behavior.	
28.	Human Resources Policies & Procedures	Screening procedures, including background checks, are employed for job applicants, particularly for employees with access to assets susceptible to misappropriation.	
29.	Human Resources Policies & Procedures	Recruiting practices include formal, in-depth employment interviews and informative, insightful presentations on the entity's history, culture, and operating style.	
30.	Human Resources Policies & Procedures	Training policies communicate prospective roles and responsibilities and illustrate expected levels of performance and behavior.	
31.	Human Resources Policies & Procedures	Job performance is periodically evaluated and reviewed with each employee.	
32.	Human Resources Policies & Procedures	Disciplinary actions send a message that violations of expected behavior will not be tolerated.	

### Section 3 – Entity Level Controls - Information & Communication

Information and communication is the component of internal controls that ensures that pertinent information is identified, captured, and communicated in a form and timeframe that enables people to carry out their responsibilities. Information systems produce reports containing operational, financial, and compliance-related information that make it possible to run and control the business. They deal with internally-generated data, as well as with information about external events, activities, and conditions necessary to make informed business decisions and generate reliable external reports. Effective communication must also occur in a broader sense, throughout the organization. The “tone at the top” must clearly demonstrate to all employees that control responsibilities are to be taken seriously. Individuals must understand their own role in the internal control system, as well as how individual activities relate to the work of others. Individuals must have a means of communicating significant information upwards within the organization.

The objective of information and communication audits is to ensure that information relevant to operating the business and the maintenance of internal controls and records is identified, captured, and communicated to the appropriate individuals on a timely basis. The following checklist highlights the key areas of focus.

S.no	ERM Attribute	Description of Control / Point of Focus	Risk Ranking
1.	Information Availability	Management monitors relevant external information and considers the impact on the entity.	
2.	Information Availability	Internal information regarding financial results is generated by the entity's financial information systems and that information is reported regularly.	
3.	Information Availability	Entity-wide operating results are reviewed and compared against budgets at regular intervals.	
4.	Information Availability	The adequacy of the information technology structure is considered by senior management.	
5.	Information Availability	Managers and other personnel have the required information in sufficient detail to carry out their responsibilities and there are mechanisms in place to ensure changing needs are met.	
6.	Reliability of IT Systems	Management has a strategic plan for IT systems that are linked to the entity's overall strategies.	
7.	Reliability of IT Systems	Procedures are in place to provide assurance that relevant information is identified, captured, processed and reported by IT systems in an appropriate and timely fashion.	
8.	Reliability of IT Systems	Management adequately staffs and designs the IT Department to support the entity's overall business objectives.	
9.	Reliability of IT Systems	There are defined responsibilities for individuals responsible for implementing, documenting, testing, and approving changes to computer programs and systems.	
10.	Reliability of IT Systems	There is a regular back-up of application programs and data files.	
11.	Reliability of IT Systems	The entity has a disaster recovery plan in place that allows for the timely recovery of information. The disaster recovery plan is tested regularly and is updated as the business changes.	
12.	Reliability of IT Systems	There is a high level of user satisfaction with the IT systems, including reliability and timeliness of reports.	

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13.	Communication	Employee duties and control responsibilities are timely and effectively communicated.	
14.	Communication	Communication across the organization is adequate, complete and timely to enable people to perform their responsibilities effectively.	
15.	Communication	There is an established channel of communication for people to report, anonymously when appropriate, suspected improprieties and management encourages employees to utilize such channels when necessary.	
16.	Communication	Reported problems are investigated in a timely manner and disciplinary actions are taken when necessary.	
17.	Communication	There are realistic mechanisms in place for employees to provide recommendations.	

**Section 4 – Entity Level Controls – Monitoring**

Monitoring is a process that assesses the quality of the entity's internal control performance over time. Effective monitoring is accomplished through ongoing monitoring activities, separate evaluations, or a combination of the two. Ongoing monitoring occurs in the course of operations and includes regular management and supervisory activities, and other actions personnel take in the performance of their duties. The scope and frequency of separate evaluations will depend primarily on an assessment of risks and the effectiveness of ongoing monitoring procedures. Internal control deficiencies should be reported throughout the organization with serious matters reported to top management and the board.

The objective of monitoring is to detect and remediate control deficiencies throughout the entire system of internal control. The following checklist highlights the key areas of focus, which auditors test and indicates where there are opportunities to automate processes as part of a continuous audit process and indicates where there are opportunities to automate processes as part of a continuous audit process.

<b>S.no</b>	<b>ERM Attribute</b>	<b>Description of Control</b>	<b>Risk Ranking</b>
1.	Ongoing Monitoring	Management monitors relevant external and internal information and considers the impact on the control structure.	
2.	Ongoing Monitoring	Procedures are in place to monitor when controls are overridden and to determine if the override was appropriate.	
3.	Ongoing Monitoring	Management takes appropriate action on exceptions to policies and procedures.	
4.	Ongoing Monitoring	Management responds timely to comments identified in management letters from the auditors.	
5.	Ongoing Monitoring	Internal audit has the authority to review any aspect of the entity's operations.	
6.	Ongoing Monitoring	Controls are reviewed to ensure that they are being applied as expected.	
7.	Ongoing Monitoring	Internal audit is independent of the activities they audit.	
8.	Ongoing Monitoring	Internal auditors are prohibited from having an operating role in the activities they monitor.	
9.	Ongoing Monitoring	Management is required to respond in a timely manner to the internal audit department's findings and recommendations.	
10.	Reporting Deficiencies	Internal and/or external audit comments and management responses are provided to the audit committee or board of directors.	
11.	Reporting Deficiencies	Complaints of improper financial matters by external parties such as suppliers or regulators are fully investigated and documented.	
12.	Reporting Deficiencies	Discrepancies that have been identified are investigated and resolved.	
13.	Reporting Deficiencies	Controls that should have prevented or detected problems are reassessed when problems occur.	
14.	Separate Evaluations	Personnel with the requisite skills conduct evaluations of appropriate portions of the internal control system.	
15.	Separate Evaluations	The frequency and scope of supervision and monitoring activities are appropriate to the size and nature of the entity.	
16.	Separate Evaluations	Supervisory personnel perform various random and structured reviews over the functioning of control procedures.	

**Section 5 – Entity Level Controls – Risk Assessment**

Risk assessment is the component of the entity's internal controls that involve identifying and analyzing risks (both internal and external) relevant to achieving business objectives and objectives related to the preparation of reliable financial statements.

The objective of the entity's risk assessment process is to establish and maintain an effective process to identify, analyze, and manage risks relevant to achieving business objectives and/or the preparation of reliable financial statements. The following checklist highlights the key areas of focus, which internal auditor shall evaluate.

<b>S.no</b>	<b>ERM Attribute</b>	<b>Description of Control / Point of Focus</b>	<b>Risk Ranking</b>
1.	Entity-Wide Objectives	Management has a business planning process in place that examines existing objectives and establishes new objectives when necessary.	
2.	Entity-Wide Objectives	Management establishes business plans and budgets with realistic goals, and incentives for achievement of plans are balanced.	
3.	Entity-Wide Objectives	Objectives are communicated at the appropriate levels and are understood and adopted by the responsible parties.	
4.	Entity-Wide Objectives	Management has established a process to periodically review and update entity-wide strategic plans and objectives.	
5.	Activity-Level Objectives	Activity-level objectives are linked with entity-wide objectives and strategic plans.	
6.	Activity-Level Objectives	Activity-level objectives are consistent with each other (e.g., objectives for the sales organization are consistent with the manufacturing organization).	
7.	Risk Identification & Management	Management identifies risks related to each of the established objectives.	
8.	Risk Identification & Management	Management has mechanisms in place to identify business risks resulting from entering new markets or lines of business or from offering new products and services.	
9.	Risk Identification & Management	Management identifies financial reporting risks that result from operations or compliance with laws and regulations.	
10.	Risk Identification & Management	Management identifies fraud risk factors, including management override of controls.	
11.	Risk Identification & Management	Identifying risks includes estimating the significance of the risks identified, assessing the likelihood of the risks occurring, and determining the need for action.	
12.	Risk Identification & Management	Risks are evaluated as part of the business planning process.	
13.	Risk Identification & Management	Senior management develops plans to mitigate significant identified risks.	
14.	Risk Identification & Management	The responsibilities and expectations for the entity's business activities and the entity's philosophy about identification and acceptance of business risk are clearly communicated to the executives in charge of separate functions.	
15.	Risk	Risks are reviewed periodically with the appropriate	

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	Identification & Management	corporate governance functions (e.g., executive management, disclosure committee, audit committee, and legal).	
16.	Manage Change	The business planning process includes a broad spectrum of personnel with collective knowledge of all areas of the entity.	
17.	Manage Change	The business planning process includes consideration of changes in the business environment, including the industry, competitors, the regulatory environment, and customers.	
18.	Manage Change	Changes in risks are identified in a timely manner.	
19.	Manage Change	Changes are appropriately communicated to the proper level of management (depending on the significance).	
20.	Manage Change	Management has identified the resources needed to achieve the objectives and has plans to acquire the necessary resources.	
21.	Manage Change	Budgets and forecasts are updated throughout the year to reflect changing conditions.	

**Section 6 – Expenditure Process Controls**

For most of the organizations the procurement process generates number of transactions a day. Controllers and purchasing managers carry a serious responsibility to oversee these transactions and ensure that only legitimate payments are made. Internal Auditors demand evidence of strong controls when they test an organization's expenditure process controls.

The following checklist highlights the key areas of focus, which internal auditor shall evaluate.

S.no	ERM Attribute	Description of Control / Point of Focus	Risk Ranking
1.	Purchasing	Purchase orders are placed only for approved requisitions.	
2.	Purchasing	Purchase orders are entered accurately.	
3.	Purchasing	All purchase orders issued are input and processed.	
4.	Purchasing	Purchasing has established and follows policies and procedures to qualify and evaluate vendors prior to becoming approved vendors.	
5.	Purchasing	There is an approved/preferred vendor list that is maintained by the purchasing department.	
6.	Purchasing	A threshold has been established for obtaining competitive bids and quotations for expenditures.	
7.	Purchasing	After-the-fact PO's are identified, tracked, and followed-up on regularly.	
8.	Purchasing	Vendor performance (price, product quality, delivery, etc.) is monitored periodically.	
9.	Purchasing	Purchase price variances are monitored to evaluate the effectiveness of the purchasing department.	
10.	Purchasing	Justification for using sole source vendors is documented and approved by management.	
11.	Purchasing	There is a contingency plan for alternative sources of supply with respect to sole source vendors.	
12.	Purchasing	Unused/open purchase orders are reviewed periodically and investigated by individuals independent of the purchasing and receiving functions.	
13.	Receiving	Contents of incoming shipments, as listed on the packing slip or bill of lading, are compared to the physical product(s) received.	
14.	Receiving	Approved purchase orders are required for all receipts.	
15.	Receiving	A sequentially numbered receiving report is generated for all items received.	
16.	Receiving	All receipts are physically processed and recorded timely in the relevant systems.	
17.	Receiving	The receiving department maintains a permanent record of original receiving documents (packing slips, bills of lading, and receiving reports).	
18.	Receiving	Written procedures exist identifying which inbound goods require inspection before being released to production.	
19.	Receiving	Rejected goods are clearly marked and segregated to prevent use.	
20.	Receiving	Rejected goods are promptly returned to the vendor for credit.	
21.	Receiving	There are procedures in place to ensure adequate cut-off of receipts at period end.	
22.	Processing Accounts Payable	Amounts posted to accounts payable represent goods or services received.	

23.	Processing Accounts Payable	Only original invoices are processed for payment.	
24.	Processing Accounts Payable	Prices and extensions on invoices are checked for accuracy.	
25.	Processing Accounts Payable	System logic prevents duplicate invoices from being processed.	
26.	Processing Accounts Payable	Accounts payable amounts are accurately calculated and recorded.	
27.	Processing Accounts Payable	All amounts for goods or services received are input and processed to accounts payable in the appropriate period.	
28.	Processing Accounts Payable	Vendor invoices are matched to purchase order receiving information prior to payment.	
29.	Processing Accounts Payable	Disbursements are only made for goods and services received.	
30.	Processing Accounts Payable	Disbursements are distributed to the appropriate suppliers.	
31.	Processing Accounts Payable	Disbursements are accurately calculated and recorded.	
32.	Processing Accounts Payable	All disbursements are recorded in the period in which they are issued.	
33.	Processing Accounts Payable	Accounts payable sub-ledger is reconciled to the general ledger at least monthly.	
34.	Processing Accounts Payable	All necessary accruals (received not vouchered) are computed and recorded at period end.	

**Section 7 – Fixed Assets Process Controls**

Fixed assets represent one of the largest items on the balance sheet. Internal auditors require that the Academy have well controlled processes for recording, managing and retiring fixed assets.

The following checklist highlights the key areas of focus, which internal auditor shall evaluate.

<b>S.no</b>	<b>ERM Attribute</b>	<b>Description of Control / Point of Focus</b>	<b>Risk Ranking</b>
1.	Acquiring Fixed Asset	Recorded fixed asset acquisitions represent fixed assets acquired by the organization.	
2.	Acquiring Fixed Asset	Prior to the acquisition of any fixed asset, a capital authorization is obtained.	
3.	Acquiring Fixed Asset	Fixed asset acquisitions are accurately recorded in the appropriate period.	
4.	Acquiring Fixed Asset	All fixed asset acquisitions are recorded.	
5.	Acquiring Fixed Asset	Capital expenditure overruns are anticipated and properly approved.	
6.	Depreciation Fixed Asset	Depreciation charges are valid.	
7.	Depreciation Fixed Asset	Depreciation charges are accurately calculated and Recorded.	
8.	Depreciation Fixed Asset	All depreciation charges are recorded in the appropriate period.	
9.	Disposing of Fixed Assets	Recorded fixed asset disposals represent actual disposals.	
10.	Disposing of Fixed Assets	All fixed asset disposals are recorded.	
11.	Disposing of Fixed Assets	Fixed asset disposals (and related gain/loss) are accurately calculated and recorded.	
12.	Disposing of Fixed Assets	Fixed asset disposals (and related gain/loss) are recorded in the appropriate period.	
13.	Managing Fixed Assets	Records of fixed asset maintenance activity are accurately maintained.	
14.	Managing Fixed Assets	Fixed assets are adequately safeguarded.	
15.	Managing Fixed Assets	Fixed asset maintenance records are updated timely.	
16.	Managing Fixed Assets	The Fixed asset register is reconciled to the General Ledger on a regular basis.	
17.	Managing Fixed Assets	Management performs regular reviews for impairment of fixed assets.	
18.	Managing Fixed Assets	A physical inventory of fixed assets is taken periodically and reconciled to the fixed asset register and general ledger.	
19.	Maintaining Fixed Asset Register	Only valid changes are made to the fixed asset register.	
20.	Maintaining Fixed Asset Register	All valid changes to the fixed asset register are input and processed accurately.	
21.	Maintaining Fixed Asset	Changes to the fixed asset register are processed in a timely manner.	

	Register		
22.	Maintaining Fixed Asset Register	Access to transaction such as depreciation, purging fixed assets, changing the fixed asset register and master data should be reviewed on a regular basis.	

**Section 8 – Inventory Management Process Controls**

Auditors demand evidence that inventory on the books is useable and that well controlled processes exist for accounting for inventory.

The following checklist highlights the key areas of focus, which internal auditor shall evaluate.

<b>S.no</b>	<b>ERM Attribute</b>	<b>Description of Control / Point of Focus</b>	<b>Risk Ranking</b>
1.	Managing Inventory	Inventory is saleable or usable.	
2.	Managing Inventory	Inventory is adequately safeguarded.	
3.	Managing Inventory	Adjustments to inventory prices or quantities relate to valid price changes and physical inventory differences.	
4.	Managing Inventory	All adjustments to inventory prices or quantities are recorded accurately.	
5.	Inventory Accounting	Periodic inventory counts are performed to confirm inventory records. Selection of items for count is segregated from performing the count, which is in turn segregated from recording the count. System count is reflected on cycle count worksheets (e.g. "Blind" counts are performed).	
6.	Inventory Accounting	Physical counts verify quantities on hand.	
7.	Inventory Accounting	Written instructions are used by physical count personnel that provide guidance on timing of the count, number and composition of the count teams, areas of responsibility, how to perform and record the physical counts and count sheet control.	
8.	Inventory Accounting	Discrepancies between physical counts and perpetual inventory records are researched prior to posting any adjustments to the perpetual and/or accounting records.	
9.	Inventory Accounting	Inventory count crews are supervised.	
10.	Inventory Accounting	Receiving/shipping during physical counts is controlled.	
11.	Inventory Accounting	Perpetual records are reconciled to physical counts.	
12.	Inventory Accounting	Perpetual/physical is reconciled to the general ledger.	
13.	Inventory Accounting	Procedures are in place to adjust slow moving, obsolete, or damaged items to their expected realizable value.	
14.	Inventory Accounting	Access to transactions such as inventory received, recording defective goods, shipping inventory and master data should be reviewed on a regular basis.	

**Section 9 – Payroll Process Controls**

Discrepancies resulting from poorly-controlled processes – whether mistakes or fraud – can have a serious impact on academy’s financial statements. The following checklist highlights the key areas of focus, which internal auditor shall evaluate.

<b>S.no</b>	<b>ERM Attribute</b>	<b>Description of Control / Point of Focus</b>	<b>Risk Ranking</b>
1.	Hiring Personnel	Additions to the payroll master files represent valid employees.	
2.	Hiring Personnel	All new employees are added to the payroll master files	
3.	Terminating Personnel	Terminated employees are removed in a timely manner from the payroll master files.	
4.	Terminating Personnel	Employees are only terminated within statutory requirements.	
5.	Terminating Personnel	Deletions from the payroll master files represent valid terminations.	
6.	Recording Time	Time and attendance data recorded reflects actual time worked and is authorized.	
7.	Recording Time	Time worked is accurately input and processed.	
8.	Recording Time	Time worked is processed in a timely manner.	
9.	Calculating Payroll	Payroll is recorded in the appropriate period.	
10.	Calculating Payroll	Payroll (including compensation and withholdings) is accurately calculated and recorded.	
11.	Disbursing Payroll	Payroll disbursements and recorded payroll expenses relate to actual time worked.	
12.	Disbursing Payroll	Payroll is disbursed to appropriate employees.	
13.	Disbursing Payroll	Payroll registers are reviewed and approved before payroll is generated.	
14.	Maintaining Payroll Records	Access to the payroll master files is appropriately limited.	
15.	Managing Payroll Accounting	Payroll related accruals/provisions reflect the existing business circumstances and economic conditions in accordance with the accounting policies being used.	
16.	Managing Payroll Accounting	All payroll sub-ledgers and payroll-related bank accounts are reconciled to the general ledger at least monthly.	

**Section 10 – Revenue Process Controls**

The following checklist highlights the key areas of focus, which auditors test and indicates where there are opportunities to automate processes as part of a continuous audit process.

<b>S.no</b>	<b>ERM Attribute</b>	<b>Description of Control / Point of Focus</b>	<b>Risk Ranking</b>
1.	Invoicing, Adjustments	Invoices are generated using authorized terms and prices.	
2.	Invoicing, Adjustments	Invoices are accurately calculated and recorded	
3.	Invoicing, Adjustments	All of the services provided are invoiced.	
4.	Invoicing, Adjustments	All invoices issued are recorded.	
5.	Invoicing, Adjustments	Invoices are recorded in the appropriate period.	
6.	Invoicing, Adjustments	Adjustments to accounts receivable are accurately calculated and recorded.	
7.	Invoicing, Adjustments	Adjustments to accounts receivable are issued in accordance with HSA's policy.	
8.	Invoicing, Adjustments	All credit notes relate to a return of goods or other valid adjustments.	
9.	Invoicing, Adjustments	All discounts given are recorded.	
10.	Invoicing, Adjustments	Discounts are recorded in the appropriate period.	
11.	Invoicing, Adjustments	Accounts Receivable reflects the existing business circumstances and economic conditions in accordance with the accounting policies being used.	
12.	Invoicing, Adjustments	Revenue and Accounts Receivable information is appropriately presented, and all information that is necessary for fair presentation and compliance with professional standards or legal requirements is disclosed.	
13.	Managing Accounts Receivable	Timely collection of accounts receivable is monitored.	
14.	Managing Accounts Receivable	All A/R accounts and sub-ledgers are reconciled to the general ledger at least monthly.	
15.	Managing Accounts Receivable	The A/R aging is reviewed at least monthly for past-due accounts and unusual items and these items are followed up on a timely basis.	
16.	Managing Accounts Receivable	Bank reconciliations are prepared and reviewed timely.	
17.	Managing Accounts Receivable	The allowance for doubtful accounts is reviewed and adjusted (if necessary) at least quarterly for potential uncollectible accounts.	
18.	Managing Accounts Receivable	Write-off policies and procedures have been established and adhered to.	

**Section 11 – Treasury Process Controls**

Effective controls for managing cash receipts, disbursements and loans is critical to the integrity of a academy's financial reporting. The following checklist highlights the key areas of focus, which auditors test and indicates where there are opportunities to automate processes as part of a continuous audit process.

<b>S.no</b>	<b>COSO Attribute</b>	<b>Description of Control / Point of Focus</b>	<b>Risk Ranking</b>
1.	Cash Accounting	Reconciliations of all cash and investment accounts are performed monthly.	
2.	Cash Accounting	Appropriate segregation of duties is established for the input, release and reconciliation of wire transfers and daily cash activity.	
3.	Cash Accounting	All bank accounts have been authorized by competent authority.	
4.	Cash Accounting	Appropriate procedures are established to ensure signers on bank accounts are properly removed from termination.	
5.	Cash Accounting	Policy has been established which defines appropriate Petty Cash amounts, usage, required approvals and replenishment procedures.	
6.	Cash Accounting	Petty cash accounts are reconciled to the general ledger at least monthly.	
7.	Cash Accounting	Only miscellaneous items less than a pre-defined amount are paid through petty cash.	
8.	Cash Accounting	All payments are supported with appropriate documentation and are reviewed for reasonableness.	
9.	Cash Accounting	The cash balances in the petty cash funds are reconciled and reviewed by an independent person monthly.	

**Section 12 – SOP Checklist**

<b>Policy</b>	<b>Contents</b>	<b>Yes / No</b>
<b>Treasury Management</b>	Cash receipts	
	Bank account reconciliations	
	Outstanding checks	
	Cash disbursements/manual checks	
	Check signing requirements	
	Petty cash	
<b>Accounts Receivable</b>	General accounts receivable	
	Allowance for doubtful accounts/credit risk	
	Credit balances	
	Records maintenance	
<b>Property and Equipment</b>	Invoice billings	
	AFE's (authority for expenditure)	
	Acquisitions and dispositions	
	Disposals	
	Reconciliations	
	Physical asset security	
	General property and equipment	
<b>Inventory</b>	Inventory	
	Inventory accounting	
	Physical inventory procedures	
	Ware house management	
<b>Accounts Payable</b>	Accounts payable	
	Competitive bids	
	Request for proposal	
	Purchase requisitions	
	Purchase orders	
	Contracts	
	Purchasing procedures	
	Vendor selections	
	Vendor file maintenance	
<b>Revenue</b>	Revenues recognition	
	Revenue reporting	
<b>Expenses</b>		
	Third party reimbursable expenses	
	Payroll	
	Operating income (expense)	
	Capitalization	
	Depreciation and amortization	
	Research and development	
	Selling, general and administrative costs	
	Travel and entertainment	
	Interest expense/income	
Insurance		

	Other expenses	
<b>Financial Management</b>	Chart of accounts	
	Consolidation	
	Segment reporting and disclosures	
	Period-end financial reporting	
	Month-end closing procedures	
	Reconciliations	
	Commitments and contingencies	
	Related parties	
	Disclosures	
	Process change control	
	Unusual transactions	
	Budgeting and forecasts	
	Release of financial/ confidential information	
	<b>Human Resource</b>	Journal entry
Employment (hiring, promotion) policies		
Employee benefits		
Compensation / Payroll		
Termination		
Performance appraisals		
Executive compensation		
Incentive compensation		
Employee handbook		
Attendance, holidays, vacation, sick leave		
Relocation payments		
Internal transfers		
Family & medical leave		
Share-based compensation plans		
Fair employment practices		
Orientation and training		
Employment verifications / background check		
Equal opportunity		
Sexual harassment / other harassment		
New employee processing		
Hiring of consultants / contractors		
Personnel files and records		
<b>Information Technology</b>	Information security	
	Systems change policy	
	Software licensing	
	Electronic information (e-mail) systems	
<b>Others</b>	Use of academy vehicles	
	Workplace rules, safety and health	
	Disaster management / business resumption	
<b>Governance</b>	Record retention, storage and disposal	

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	Complaints	
	Delegation of authority	
	Code of Conduct	
	Entertainment and gifts	
	Related party transactions	
	Conflict of interest	
	Personal loans to directors and executive	
<b>Board of Directors</b>	Corporate governance guidelines	
	Audit committee charter	
	Remuneration committee charter	
<b>Internal Audit</b>	Internal audit charter	
	Pre-approval of audit and non-audit services	