

PART 9 - INTERNAL AUDIT AND AUDIT COMMITTEE

DIVISION I – INTERNAL AUDIT

1. It is desirable that control systems are established by Accounts Branch to ensure the propriety, security, completeness and accuracy of departmental activities and transactions.

The Departmental Head will establish an internal audit branch to obtain an independent view on the financial integrity and economic conduct of his department.

2. This extension of function is in keeping with the modern concept of internal audit as an independent appraisal activity within an organisation for the review of accounting, financial and other operations as a vital service to management. It is a managerial control which functions by measuring and evaluating the effectiveness of other controls. Its principal duties are to:

(a) provide assurance to management that:

- (i) there is an adequate system of internal control which is functioning properly in accordance with the requirements;
- (ii) the policies and procedures established by management are being complied with and are appropriate;
- (iii) to ensure that accounting records are in order for the production of annual public accounts;
- (iv) the reliability of financial data furnished to management in connection with decision making processes.

(b) draw the attention of management to:

- (i) deficiencies in the organisation or system of control;
- (ii) irregularities and variations against established norms and standards.

Internal audit should not be viewed as a sole management control system. As such, line managers must take responsibility to incorporate such control mechanisms as they consider necessary in their operations.

In addition, internal audit may sometimes undertake special reviews or assignments and, subject to limitations arising from the need for objectivity, may be regarded as a source of advice on systems of control and related matters.

3. To encourage objectivity and constructive comment, the internal audit branch must have independent status within the department. It follows that in general:
 - (a) the audit section should be independent from other branches; a separate entity, quite independent of accounts and policy branches;
 - (b) the chief internal auditor should be of sufficient rank to ensure that significant criticism or suggestions by audit receive adequate attention; he would be directly responsible to the head of the department;
 - (c) the audit section should have no executive or line management responsibilities, neither should they be responsible for the development or implementation of new control systems.

The programmes of the internal audit branch should be defined in writing, a schedule of programmes should be agreed by senior management and the Chief Internal Auditor and periodic progress reports should be made on the achievement against such programmes. Audit reviews should be wide-ranging and should encompass financial, accounting, management information and related activities throughout the department. In some cases it may be advantageous for an audit committee to be established so that interested parties can discuss audit plans and results.

4. The organisation structure of audit branches will vary according to the size and complexity of the audit task. In the case of having separate units responsible for the audit of different aspects of departmental activities and departmental locations must have a central unit for co-ordination, planning and reporting purposes.
5. The approach adopted by the internal audit branch is to be aimed at achieving both efficiency and efficacy. The approach should consist of ascertaining, assessing and testing control systems, considering the possible effects of any weakness discovered, and reporting the results of audit to management. This involves the use of internal control questionnaires, flow charts, audit programmes, sample testing and other audit techniques.
6. Internal audit programmes and reports of the Department will be helpful to the Auditor-General's Office for drawing up their audit plans. As such, internal audit programmes and reports must be submitted to the Auditor-General.