

*[Insert name of Entity]*

**INTERNAL AUDIT FUNCTION**

**INTERNAL AUDIT  
QUARTERLY REPORT  
TEMPLATE**

**[*INSERT QUARTER AND YEAR*]  
[*INSERT AUDIT REPORT NUMBER*]**

**CONFIDENTIAL**

**(Date)**

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**Table 1: Distribution List**

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This report is intended solely for use by the governing body and Management of the [entity] and National/County Treasury. No party other than those to whom it is addressed may rely upon this report / information for any purpose whatsoever. It must not be made available or copied in whole or in part to any other party without our prior written consent and approval by the Accounting Officer.

## **EXECUTIVE SUMMARY**

This section will contain information on:

1. Introduction
2. Overview of IAF achievement in the quarter being reported (engagement and non-engagement achievements)
3. Summary of audit client satisfactory performance
4. Summary of key audit findings
5. Summary of challenges faced in the quarter and strategies to manage them.
6. Up-coming quarter activities (engagement and non-engagement).

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## 1. INTRODUCTION

This section will contain information on:

- i) PFM Regulations requirements to prepare quarterly internal audit reports.
- ii) Background information and basis of the report
- iii) Summarize the mandate and purpose of IAF
- iv) Summarize the audit objectives of the Audit
- v) Internal Audit Strategy objectives
- vi) Summarize management role of establishing and implementing governance, risk management and controls and Internal Auditor's role of providing assurance on the same.
- vii) Purpose of preparing the report.

NB: *The Internal Auditor should use the Internal Audit Manual to summarize the information required for this section.*

## 2. RESULTS OF QUARTER XX

This section provides information on the implementation of the annual risk based internal audit plan

### 2.1 IMPLEMENTATION OF THE ANNUAL RISK BASED INTERNAL AUDIT PLAN IN QXX

This sub-section presents a dashboard or summary of implementation of the Annual Risk Based Internal Audit Plan during quarter \*\*. The CAE may include the annual audit plan as an appendix for ease of reference for the reader.

**Table 21: Quarter XX Results**

| Areas of Performance  | Remarks  |
|-----------------------|--|
| Engagement execution  | <ol style="list-style-type: none"> <li>1. Number of engagements undertaken vis-à-vis expected target for the Quarter. This can be broken further into:               <ol style="list-style-type: none"> <li>a. Assurance and Advisory;</li> <li>b. Ad-hoc engagements;</li> <li>c. Follow-up engagements; and</li> <li>d. Types of audits (financial, ICT, procure, projects etc).</li> </ol> </li> <li>2. Remarks for undertaking less or more than the targeted engagements.</li> <li>3. Engagement ratings based on conclusion reached e.g. % of engagements where conclusion is that the controls are working effectively</li> </ol> |
| Communicating results | <ol style="list-style-type: none"> <li>1. % of engagements completed and final reports issued. Remarks on the status of the ones where report has not been issued e.g. % writing draft report, awaiting feedback from audit client on draft report.</li> <li>2. % of final reports issued whose high-risk observations have been presented/issued to Accounting Officer and Audit Committee</li> </ol>   |
| Findings              | <ol style="list-style-type: none"> <li>1. Total number of high -risk findings.</li> </ol>  |

| Areas of Performance      | Remarks   |
|---------------------------|---|
|                           | 2. Provide information on trend analysis e.g. comparing to previous audits of the areas audited<br>3. Recurring findings<br>4. Risks that management have accepted that are above risk appetite               |
| Recommendations           | 1. % implemented (Internal audit, External Audit and other assurance providers)<br>2. % over-due recommendations<br>3. Responsible persons to take action<br>4. Timeline for execution of the recommendations |
| Staff                     | 1. Man-hours analysis<br>2. Staffing needs<br>3. Staffing Competences   |
| Budget/Financial          | 1. Actual receipts vis-à-vis budget<br>2. Actual expenditure vis-à-vis budget   |
| Administrative activities | 1. Strategic plan activities<br>2. Capacity building<br>3. Key Administrative activities undertaken   |

## 2.2 KEY AUDIT FINDINGS (INTERNAL AND EXTERNAL ASSURANCE PROVIDERS)

This sub-section provides a quarterly summary of the positive attributes identified; significant observations/findings and conclusions made for each engagement; and an update on the implementation of audit recommendations from both internal and external assurance reports.

### 2.2.1 POSITIVE ATTRIBUTES

This sub-section provides a summary on activities implemented by management to strengthen governance, risk management and controls during the quarter (this is in-line with Regulation 171(3) / 164(3) for the National and County Government respectively) that require acknowledgement of satisfactory performance.

**Table 2: Positive Attributes**

| Areas of Performance | Remarks   |
|----------------------|---|
| Governance           | Activities undertaken to enhance governance e.g. enhancing supervision and management reporting (enables the next level of management to provide oversight)   |
| Risk Management      | Activities undertaken to enhance risk management e.g. undertaking annual risk assessment, training of risk champions, integrating risk reporting with performance management etc.   |
| Controls             | <ol style="list-style-type: none"> <li>1. Review of policies and procedures</li> <li>2. Automating processes</li> <li>3. Implementation of recommendations</li> <li>4. Impact of implementing recommendations</li> <li>5. Fewer high risk audit findings</li> </ol> |

### 2.2.2 SIGNIFICANT OBSERVATIONS

This sub-section provides summarized significant results of the engagements undertaken in a quarter and includes below elements:

| Ref | Significant Findings | Recommendation | Agreed Management Action Plan | Responsibility Person | Timelines |
|-----|----------------------|----------------|-------------------------------|-----------------------|-----------|
|     |                      |                |                               |                       |           |

### 2.2.3 ENGAGEMENT CONCLUSION

This sub-section provides information on HIA conclusion of each engagement undertaken. The information may be summarized as tabled below;

**Table 33: Engagement Conclusion**

| Ref              | Engagement                            | Conclusion   |
|------------------|---------------------------------------|--|
| Report reference | Name of engagement as per annual plan | HIA engagement conclusion (refer to appendix 2 for a guide on conclusions) |

#### 2.2.4 PROGRESS REPORT ON IMPLEMENTATION OF AUDIT RECOMMENDATIONS/ MANAGEMENT ACTION PLAN

**Table 4: Progress Report on Implementation of Audit Recommendations**

**4**

| Ref | Findings | Recommendations | Agreed Management Action Plan | Status | Responsible | Timelines |
|-----|----------|-----------------|-------------------------------|--------|-------------|-----------|
|     |          |                 |                               |        |             |           |

The Internal Auditor can provide more information as an appendix. Before issuance of the quarterly report the HIA shall obtain updates status on the implementation of agreed management action plan.

### 3. MAJOR CHANGES TO THE ANNUAL WORK PLAN

This section provides information on the engagement and non-engagement activities that will be undertaken in the next quarter as per the annual audit plan. Any changes in the annual audit plan will also be contained in this section.

#### 3.1 ENGAGEMENT ACTIVITIES

This sub-section provides information on the engagements that will be undertaken in the next quarter. It will include information on engagements, both assurance and advisory that were rescheduled from previous quarter and justification for their rescheduling.

**Table 56: Quarter XX Engagements**

| Reference | Engagement | Risk Rating | Functional area                        | Period | Remarks  |
|-----------|------------|-------------|--|--------|--|
|           |            |             | E.g.<br>Directorate/department/section |        | As per annual audit plan   |
|           |            |             |  |        | Ad-hoc request by management   |
|           |            |             |  |        | Rescheduled from Quarter XX E.g. due to unavailability of audit client |
|           |            |             |  |        |  |
|           |            |             |  |        |  |
|           |            |             |  |        |  |

Ad hoc requests should be approved formally by the Audit Committee( Could be covered in the Planning)

#### 3.2 NON-ENGAGEMENT ACTIVITIES

This sub-section provides information on the engagements that will be undertaken in the next quarter. It will include information on non-engagements that were rescheduled from previous quarter and justification for their rescheduling.

**Table 67: Quarter XX Non-Engagements**

| Reference | Activity | Period | Remarks |
|-----------|----------|--------|---------|
|           |          |        |         |
|           |          |        |         |
|           |          |        |         |

## 4. CHALLENGES

This section provides challenges that the IAF faced in the quarter being reported and strategies to overcome the same. Limitations may relate to Resources e.g. Funding/Budget, Human Resource and Technological limitations. (Any disagreements with management should be included in this section)

**Table 75: Limitation in the Quarter**

| Challenge | Quarter of Occurrence | Status (Open/Closed) | Impact | Management Strategy | Responsibility | Timeline | Resources | Remarks |
|-----------|-----------------------|----------------------|--------|---------------------|----------------|----------|-----------|---------|
|           |                       |                      |        |                     |                |          |           |         |
|           |                       |                      |        |                     |                |          |           |         |
|           |                       |                      |        |                     |                |          |           |         |
|           |                       |                      |        |                     |                |          |           |         |
|           |                       |                      |        |                     |                |          |           |         |
|           |                       |                      |        |                     |                |          |           |         |

Under status, the HIA will indicate if the challenge has been resolved (closed) or not (open).

1. Open: where the matter is open, the HIA shall provide information on the management action required to resolve the matter, responsible person, period and resources. Where the issue was reported in earlier quarters and nothing has been done about it, the HIA shall provide information on the reason for the same.
2. Where the matter has been resolved, the HIA will indicate N/A under impact and provide information on what was done to resolve the issue (who resolved the issue, specific resources spent, and time taken). This is useful as lessons learnt.

## 5. APPROVAL

The HIA takes responsibility for this report at this date which has been discussed and agreed with management.

\_\_\_\_\_  
[Name]  
Head of Internal Audit Function

\_\_\_\_\_  
Date

## **6. APPENDIX**

### **6.1 APPENDIX 1 – ANNUAL RISK BASED INTERNAL AUDIT PLAN**

This sub-section provides an extract of the annual audit plan indicating the assignments that are to be undertaken. On a minimum the HIA shall provide information on the quarter being reported on and the next quarter

## 6.2 APPENDIX 2 – CONCLUSION RATING CRITERIA

| Rating                                  | Definition  |
|---|---|
| High Risk/ Not satisfactory             | <ul style="list-style-type: none"> <li>• Core perspective target achieved at below 90%</li> <li>• Average Implementation rating on audit recommendations at below 80% (or last audit)</li> </ul> <p>Key controls tested and have no audit issues – below 80%</p>              |
| Medium risk/ Average/ Needs improvement | <ul style="list-style-type: none"> <li>• Core perspective target achieved at 91-99%</li> <li>• Average Implementation rating on audit recommendations at below 80-89% (or last audit)</li> </ul> <p>Key controls tested and have no audit issues –80-89%</p>                  |
| Low risk/ Satisfactory                  | <ul style="list-style-type: none"> <li>• Core perspective target achieved at 100% and above</li> <li>• Average Implementation rating on audit recommendations at below 90% and above (or last audit)</li> </ul> <p>Key controls tested and have no audit issues – 90-100%</p> |

