

[insert name of Entity]

INTERNAL AUDIT FUNCTION

INTERNAL AUDIT ANNUAL REPORT TEMPLATE

[INSERT FINANCIAL (MONTH AND YEAR)]
[INSERT AUDIT REPORT NUMBER]

CONFIDENTIAL

(Month, Year)

Report Recipients (Guiding note on the reporting)**Table 1: Distribution List**

Designation	For Action	For Information

Report Distribution Restrictions

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 prior written consent and approval by the Accounting Officer.

Executive Summary

This section will contain information on:

- i. Overview of IAF achievement of the IA Strategic Plan and annual audit plan.
- ii. Summary of audit client satisfactory performance
- iii. Summary of key audit findings
- iv. Summary of challenges faced in the year.
- v. Summary of Coordination and Reliance Activities
- vi. Audit conclusion

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1. Introduction

This section will contain information on:

- i. Mandate and purpose
- ii. Vision and mission
- iii. Strategic objectives
- iv. Purpose of preparing the report.
- v. Summarize management role of establishing and implementing governance, risk management and controls and Internal Auditor's role of providing assurance on the same.
- vi. Summary of Coordination and Reliance Activities

The CAE should use the Internal Audit Manual to summarize the information required for this section

2. Results of Financial Year XX

This section provides information on the implementation of the IAF Strategic plan and annual audit plan

2.1 Strategic Achievements

This sub-section provides information in the implementation of the IAF Strategic Plan.

2.2 Annual Risk Based Audit Plan Achievement

This sub-section summarized the achievement of the FY XX. The dashboard used for the quarterly audit reports can be adopted.

Table 2: Annual Achievement

Areas of Performance	Remarks
Engagement execution	<ul style="list-style-type: none"> Expected number of engagements undertaken vis-à-vis target for the year. This can be broken further into: <ol style="list-style-type: none"> a. Assurance and Advisory. b. Ad-hoc engagements. c. Follow-up engagements; and d. Types of audits (financial, ICT, procure, projects etc). Remarks for undertaking less or more than the targeted engagements. Engagement ratings based on conclusion reached e.g. % of engagements where conclusion is that the controls are working effectively
Communicating results	<ol style="list-style-type: none"> % 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. % of final reports issued whose high-risk observations have been presented/issued to Accounting Officer and Audit Committee
Findings	<ol style="list-style-type: none"> Total number of high -risk findings.

Areas of Performance	Remarks
	2. Provide information on trend analysis e.g. comparing to previous audits of the areas audited 3. Recurring findings
Recommendation	1. % implemented (Internal audit, External Audit and other assurance providers) 2. % over-due recommendations 3. Responsible persons to take action 4. Timeline for execution of the recommendations
Staff	1. Man-hours analysis 2. Staffing needs 3. Staff Competence
Resource utilization	1. Actual receipts vis-à-vis budget 2. Actual expenditure vis-à-vis budget
Achievement on non-engagement activities	1. Strategic plan activities 2. Capacity building 3. Key Administrative activities undertaken
Audit Client satisfaction	This can be undertaken quarterly or annually

2.3 Key Audit Findings

2.3.1 Positive Attributes

This sub-section summarizes **positive attributes** contained in the quarterly reports that will support the audit conclusions.

Table 3: Positive attributes

Areas of Performance	Remarks
G	
R	
C	

2.3.2 Internal Audit Significant Observations

This sub-section summarizes key observations contained in the quarterly reports that supports the audit conclusion.

Ref	Significant Findings	Recommendation	Agreed Management Action Plan	Responsibility Person	Timelines

2.3.3 Engagement Conclusion

Provides information on the conclusion for each engagement undertaken.

Table 4: 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)

2.3.4 Progress Report on Implementation of Internal and External Assurance Providers Recommendations

This sub-section summarizes progress report on Implementation of internal audit and external assurance providers recommendations (OAG, Governance, Legal etc.).

NB: Refer to detailed reports as Appendix 4

Table 5: Progress Report on Implementation of Internal and External Assurance Providers' recommendations

Ref	Significant Findings	Recommendation	Agreed Management Action Plan	Responsibility Person	Timelines

2.3.5 Audit Conclusion

Provides the HIA with professional judgment on the status of the entity's governance, risk management and controls. This is based on the conclusion made on all engagements undertaken in the year.

3. Quality Assurance and Improvement Program

This section provides for:

- Reporting the results for both internal and external quality assessments.
- Monitoring implementation of the recommendations arising from the quality assessments.

4. Coordination and Reliance Activities

This section provides for:

- Reporting the implementation of combined assurance map.
- Reporting on HIA coordination and reliance on other assurance providers.

5. Internal Audit Function Resources

This section reports on the sufficiency, both in numbers and capabilities, of internal audit resources (Human, Financial and Technological) to fulfill the internal audit mandate and achieve the internal audit plan.

6. IAF Proficiency

This section provides information on: IAF staffing level (i.e. staff competency, staff turnover, staff satisfaction rating and training hours); adequacy to meet current and emerging demand; staff turnover and strategies to close existing proficiency gaps.

7. Adherence to IPPF, Laws and Regulations

The HIA confirms that the IAF has adhered or not to the Internal Audit Charter, IPPF, Internal Audit Procedures Manual and relevant laws and regulations. Factors that may have or cause the IAF not to have adhered are reported in this section. Any Changes and reviews to the Internal Audit Charter and Mandate must be reported.

NB: When internal auditors are unable to conform with a requirement, the chief audit executive must document and communicate a description of the circumstance, alternative actions taken, the impact of the actions, and the rationale. Requirements related to disclosing nonconformance with the Standards are described in Standards 8.3 Quality, 12.1 Internal Quality Assessment, and 15.1 Final Engagement Communication

8. Organizational independence

This section provides for annual confirmation of organizational independence of the internal audit function to the Governing Body.

9. IAF Value Addition-FOR PLENARY CONSIDERATION

This sub-section provides information on:

1. Number of improvements in processes and systems arising from internal audit work.
2. Number of committees and task forces audit is involved in (advisory services).
3. Amount of identified cost savings or revenue increase due to internal audit work.
4. Number of innovations arising from internal audit work.

The HIA can provide more information as an appendix.

It also provides information on challenges faced in the financial year and how they were resolved and any challenges outstanding at the end of the financial year.

10. Limitations

The limitations faced by Internal Audit during the year will entail issues on Financial, Human Resource and Technological

Table 6: Challenges in the Financial Year

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

	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 in the financial year 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.

11. Future Focus

This section summarizes emerging issues and what Internal Audit will concentrate on.

12. 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

13. Appendix

Appendix 1-Significant Findings in the Financial Year

This section provides detailed information on the significant observations identified in the financial year.

Reference	Observation	Cause	Impact	Recommendation	Agreed Management Action	Responsible	Timelines	Resources

Appendix 2—Conclusion Rating Criteria---PLENARY DISCUSSION

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

Appendix 4: Assurance Providers Significant Observations (REFER TO TEMPLATE 37)

Ref	Finding	Recommendation	Agreed Management Action Plan /Alternative action plan	Initial Target Date	Status	Responsible	Revised Timelines