

**COUNTY GOVERNMENT OF [insert name of county]**

**INTERNAL AUDIT UNIT**

**INTERNAL AUDIT DRAFT REPORT  
TEMPLATE**

***[INSERT NAME OF AUDIT/AREA THAT WAS AUDITED]***

***[INSERT REPORT DATE (MONTH AND YEAR)]***

***[INSERT TYPE OF AUDIT]***

***[INSERT AUDIT REPORT NUMBER]***

**CONFIDENTIAL**

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**Report Recipients**

**Table 1: Distribution List**

Designation	For Action	For Information

This report is intended solely for use by management, Accounting Officer and the Audit Committee of [include name of entity]. 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:

- PFMR requires that the report be prepared and purpose of the report
- Summary on the area being audited and why its being audited (e.g. part of annual audit plan, special investigation etc).
- Engagement objective.
- Scope and scope limitation (where appropriate).
- Positive attributes.
- Summary of high risk/key audit findings.
- Conclusion.

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## 1. Introduction

This section will contain the following information:

1. PFM Regulations requirements to prepare internal draft audit reports.
2. Background information on the area being reviewed.
3. Summarize the mandate and purpose of IAU.
4. Why the engagement is being undertaken, type of audit and who commissioned the engagement.
5. Engagement objective.
6. Engagement scope.
7. Engagement methodology.
8. Limitation (include none or nature of limitation)
9. Summarize management role of establishing and implementing governance, risk management and controls and Internal Auditor’s role of providing assurance on the same.

## 2. Positive Attributes

This section will contain the following information:

### 2.1 Recommendation Implementation

Implementation status of recommendations of prior audits. This shall include Internal Audit, OAG, Accounting Officer and Audit Committee (including Governing body) directives and other assurance providers.

Report reference	Report Name	Total Management Action	Status of implementation of recommendations			
			Implemented	Partially	Not Implemented	Suspended
<i>[insert the Engagement Report Number]</i>	<i>[insert the area/process audited]</i>	<i>[insert the total number of agreed management action]</i>	<i>[insert the total number of agreed management action that are 100% complete]</i>	<i>[insert the total number of agreed management action that have been started but not 100% complete]</i>	<i>[insert the total number of agreed management action that have not started but relevant]</i>	<i>[insert the total number of agreed management action that have not started but management does not perceive them to be relevant e.g. where risk has been accepted, circumstance have changed]</i>
<b>Total %</b>		<b>100%</b>	<b>Xx%</b>	<b>Xx%</b>	<b>Xx%</b>	<b>Xx%</b>

## 2.2 Areas of Effective Governance, Risk Management and Controls

Based on the outcome of engagement procedures areas that have effective governance, risk management and controls.

## 3. Detailed Findings

### 3.1 Finding Rating Matrix

Finding rating matrix relates specifically to the rating of the detail findings.

Rating	Definition
<b>Major</b> [Red]	A fundamental and critical control weakness, which hampers operations, and therefore requires immediate management action.
<b>Significant</b> [Yellow]	Control weakness considered to be of a serious nature that should receive management attention in the short term.
<b>Minor</b> [Yellow]	These weaknesses do not represent a risk to the environment and can usually be corrected at minimal cost. The resolution will lead to an improvement of the operations' efficiency, and/or effectiveness. It is not considered a critical issue.
<p><b>Performance Improvement Observation</b></p> <p>An opportunity for improvement (outside of the scope of this audit) was identified and brought to the attention of management, as a value added service.</p> <p><b>Note:</b> The same rating system as above was used to rate performance improvement observations.</p>	

**3.2 [include the main heading of the system/process that was audited]**

This sub-section represents the results of the audit testing performed and the findings identified.

**3.2.1 [state the key control]**

**Table 2: Detailed Finding**

<b>State the control</b>		<b>Rating of finding</b>	
<b>Criteria</b>			
[Copy from the signed-off draft finding sheet]			
<b>Condition</b>			
[Copy from the signed-off draft finding sheet]			
<b>Cause</b>			
[Copy from the signed-off draft finding sheet]			
<b>Potential Risk and Impact</b>			
[Copy from the signed-off draft finding sheet]			
<b>Recommendation</b>			
[Copy from the signed-off draft finding sheet]			
<b>Agreed Management Action Plan</b>			
<b>Activity</b>	<b>Responsible</b>	<b>Timelines</b>	<b>Resources</b>
[To be completed by the audit client]	[To be completed by the audit client]	[To be completed by the audit client]	[To be completed by the audit client]

The Internal Auditor may provide more information in the appendix

#### 4. Draft Conclusion

Due to the fact that we only evaluated key activities and controls relating to the *[include the system/process audited]* we concluded on the adequacy and effectiveness of *[amend as appropriate--the governance, risk management and controls of the system/process audited]*. The assessment of the conclusions on individual *[amend as appropriate--the governance, risk management and controls of the system/process audited]* was used to conclude on the overall *[amend as appropriate--the governance, risk management and controls of the system/process audited]* environment.

Ratings awarded represent the conclusion of Internal Audit based on the results of the audit of a system or audit area. Please note that the conclusions as indicated below, are based on sample testing and only applies to the key controls we evaluated as identified in our scope in section 1 above.

The *[amend as appropriate--the governance, risk management and controls of the system/process audited]* environment will be rated using the following criteria:

Rating	Definition
<b>Inadequate</b> [Red]	The majority of our findings are of a serious nature and require immediate management intervention to achieve business objectives.
<b>Needs Improvement</b> [Yellow]	The majority of our findings are medium risks that require management focus to rectify.
<b>Satisfactory</b> [Green]	Some control deficiencies were identified however, these were mainly administrative in nature and can easily be rectified; or Internal controls are operating effectively (subject to the limitations of sample testing).

Based on our audit work performed and subject to our findings detailed in Section 3, we report that the adequacy and effectiveness of the controls relating to the *[include name of the system/process that was audited]* are *[include rating per the conclusion rating definitions above]*.

#### 5. Acknowledgement

Appreciate management for the assistance given during the audit.

#### 6. Approval

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

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

\_\_\_\_\_  
Date



- 7. Appendix
- 7.1 Appendix 1—xxx