

Kenya Plant Health Inspectorate Service

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1.0 INTRODUCTION

This Charter serves as a guide to INTERNAL AUDIT of Kenya Plant Health Inspectorate Service (KEPHIS), in the performance of its duties. KEPHIS is a Government parastatal whose responsibility is to assure the quality of Agricultural inputs and produce, in order to prevent adverse impact on the economy, the environment and human health. KEPHIS undertakes its mandate under the KEPHIS Act of 2012. Recent developments have put a lot of emphasis on INTERNAL AUDIT as a function. The Mwongozo Code of Conduct requires the establishment of Audit committee plus any other three Committees, meaning that Audit committee is mandatory. The Public Finance Management Act of 2012 has clearly brought out the responsibilities bestowed on the same committee. This clearly indicates that the Government has put in a lot of effort in enhancing the Internal Audit Function. The Charter therefore defines the purpose, authority and responsibilities of Internal Audit Function.

2.0 MISSION AND PURPOSE

The mission of Internal Audit department is to provide independent risk based objective assurance and advisory services while promoting accountability, governance and transparency for enhanced performance. The purpose is to support KEPHIS accomplish its objectives using a systematic, disciplined approach to evaluate and improve the effectiveness of KEPHIS risk management, control, and governance processes.

3.0 COMPLIANCE WITH PROFESSIONAL STANDARDS AND CODE OF ETHICS

Internal Audit department staff follows International Professional Practices Framework (IPPF) as set out in the Global Internal Audit Standard (GIAS) issued by the Institute of Internal Auditors (IIA). In addition, the internal audit staff abides by the Code of Ethics as established by the IIA and the standards to be followed by the Internal Audit function in conducting audits as set out in the Audit Charter. If non-conformance with the code of ethics or the standard impacts on the overall scope or operation of Internal Audit and Risk

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activity, the Director Internal Audit must disclose the non-conformance and the impact to Senior Management and Board of Directors.

4.0 CONFIDENTIALITY AND AUTHORITY

4.1 CONFIDENTIALITY

Internal Audit staff shall be strictly accountable for confidentiality and safeguarding of records and information obtained in the course of its activities.

4.2 AUTHORITY

Internal Audit as authorized by PFM Act, Treasury Circulars, Public Sector Accounting Standards and Organizational Governance Framework, in the course of its activities, is required to:

- Have unrestricted access to all activities, personnel, documents and records considered necessary for the performance of its functions.
- Require all management and members of staff to provide such information and explanations as may be needed within a reasonable period of time.
- Require that management to inform Director Internal Audit without delay of any significant incidents concerning risks and/or compliance with regulations and procedures.
- Have unrestricted access to the Audit Committee and its Chairperson.

5.0 INDEPENDENCE AND OBJECTIVITY

Internal Audit Department will remain independent from any element in KEPHIS, including matters of audit selection, scope, procedures, frequency, timing or report content. This is to allow for maintenance of independent and objective mental attitude. To enhance independence and objectivity:-

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- I. Internal Audit Department shall be independent of the activities which it audits to ensure the unbiased judgment essential to its proper conduct and impartial advice to management. Internal Audit Department will therefore have no direct operational responsibility or authority over any of the activities audited. Accordingly, Internal Audit Department will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair judgment.
- II. Internal Audit Department shall be at level two of management, the Director-internal Audit shall functionally report to Audit, Risk and Governance Committee of the BOD and administratively to the Managing Director.
- III. Internal Audit Department will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal Audit Department will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

Any impairment to the independence or objectivity of internal audit department, in fact or in appearance, shall be disclosed and reported to the Audit Committee of the Board.

6.0 SCOPE OF WORK OF INTERNAL AUDIT DEPARTMENT

The scope of internal audit work includes the review of risk management procedures, internal control systems, information systems and governance processes including emerging risks and compliance with the Public Sector Regulations. This work also involves periodic testing of transactions, best practice reviews, special investigations, appraisals of regulatory requirements, and measures to help prevent and detect fraud.

To discharge this mandate effectively Internal Audit shall:

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- I. Identify and assess potential risks to the KEPHIS operations.
- II. Review the adequacy of controls established to ensure compliance with policies, plans, procedures, and business objectives.
- III. Assess the reliability and security of Management information systems and operations that produce this information.
- IV. Assess the means and controls of safeguarding the organization's assets.
- V. Propose improvements to established procedures and processes in the cause of audit activities
- VI. Appraise the use of resources with regard to economy, efficiency and effectiveness.
- VII. Confirm that KEPHIS project methodologies are followed.
- VIII. Follow up recommendations to make sure that effective remedial action is taken.
- IX. Carry out ad hoc appraisals, investigations, or reviews as requested by the Management and the Board.
- X. To review the efficiency and effectiveness of KEPHIS Risk Management systems
- XI. To provide independent risk based Assurance to Management and Board of Directors through the Audit Risk and Governance Committee.

Internal Audit will be responsible for conducting appropriate follow-up reviews on audit findings and recommendations. All significant findings will remain open until cleared. The Director-Internal Audit will quarterly report to the Audit Risk and Governance Committee on the progress of implementation of recommendations or resolution of Audit findings.

7.0 ROLES AND RESPONSIBILITIES OF DIRECTOR-INTERNAL AUDIT

The Director- Internal Audit has the following roles amongst others:-

- I. Ensure that internal audit activities are done in compliance with IPPF (STANDARDS) and where not able to comply it must be documented.
- II. Ensure that internal audit activity meets the expectations of the Board of Directors and management, with regard to the strategic objective of KEPHIS.
- III. Ensure internal audit activities are strategically positioned, to add value and improve KEPHIS operations, through systematic review and evaluation of risk management controls and governance processes.
- IV. Ensure internal audit employs appropriate audit tools and techniques, including the use of computer assisted audit tools in its day to day work.
- V. Has to ensure, the internal audit comprises of staff with a mix of knowledge and experience and will include continuous staff development. Development of risk based Annual internal audit plan derived from the Internal Audit Strategic Plan, that prioritize Internal Audit engagements.
- VI. Enforcing independence of the Internal Audit through Audit Risk and Governance Committee of the Board of Directors.
- VII. Providing periodic feedback to Audit Risk and Governance Committee on the status and results of the implementation of the annual internal audit plan and its flexibility and effectiveness in responding to changing risks.
- VIII. Discussing any proposed changes to the annual internal audit plan with Audit Risk and Governance Committee and updating the plan with the changes agreed.
- IX. Assess the performance of the Risk Management Processes , and give assurance to the Board.

8.0 ROLES AND RESPONSIBILITIES OF KEPHIS MANAGEMENT

Management is responsible for:

- I. Maintaining internal control, including proper accounting records and other management information suitable for running KEPHIS.
- II. Receive internal audit reports and implement discussed internal audit recommendations on agreed timelines.

9.0 ROLES AND RESPONSIBILITIES OF AUDIT RISK AND GOVERNANCE COMMITTEE

Review and recommend to the Board for adoption or approval:

9.1 Board Audit Committee Responsibilities.

- i. Approve Internal Audit Charter.
- ii. Review key issues emerging from internal audit assignments.
- iii. Review status of management responses to Audit findings and recommendations.
- iv. Approve the annual work plan of the internal audit function.
- v. Receive Progress reports on implementation of the Internal Audit function's annual plan during the year and a performance review at year end.
- vi. Meets with the Director-Internal Audit function independently of management to ensure that the legitimate work of the internal audit function is not being impeded in any way.
- vii. Approve allocation of resources to support the implementation of internal audit plans.
- viii. Receive reports on special audits/investigations on any allegations, concern and complaints regarding corruption, lack of accountability and transparency.
- ix. Appraise the performance of the Director Internal Audit at the end of the year.
- x. Make recommendations on reports on discussion of all external audit reports and queries received.

10. QUALITY ASSURANCE AND IMPROVEMENT

The internal audit department, under the guidance of the Director Internal Audit shall be reviewed every five years, to ensure that it complies with this charter.

10.1 EXTERNAL ASSESMENT

An External party will be invited to conduct the review, where a report will be presented to the Audit Risk and Governance Committee.

10.2 INTERNAL ASSESSMENT

The Director Internal Audit shall develop and conduct internal assessments of the internal audit function's conformance with the global internal audit standard. This is done through periodic self-assessment of internal audit practices to evaluate conformance with the Standards.

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11. APPROVAL

This charter establishes the responsibility and authority conferred by KEPHIS to Internal Audit and Risk Department. It is subject to approval by Internal Audit Risk and Governance Committee of the Board of Directors

Prepared by:

Signature: _____

Date: _____

Director Internal Audit (KEPHIS)

Approval by: Director.

Signature: _____

Date: _____

Managing Director (KEPHIS)

Approval by: Director.

Signature: _____

Date: _____

Chairman, Audit, Risk and Governance Committee (KEPHIS)

Signature: _____

Date: _____