



KENYA PLANT HEALTH INSPECTORATE SERVICE

INTERNAL AUDIT MANUAL

Jan 2025

FOREWORD

On behalf of the Audit, Risk, and Governance Committee, I am honored to present this Internal Audit Manual. This manual is the outcome of an extensive and collaborative effort to align the Internal Audit Directorate with the organization's overall strategic objectives. It has been crafted to uphold the highest standards of governance, risk management, and internal controls, which are fundamental to sustaining the organization's integrity and long-term success.

The Audit, Risk, and Governance Committee is deeply committed to supporting the successful implementation of this manual. We acknowledge the Internal Audit Directorate's vital role in delivering independent and objective evaluations, identifying potential risks, and recommending actions to enhance operational effectiveness and efficiency. Our role in guiding and overseeing this Directorate will remain steadfast, ensuring that the necessary tools, resources, and strategies are in place to facilitate its continued success.

The Committee remains dedicated to its oversight responsibilities by:

1. Guaranteeing that the Internal Audit Manual aligns seamlessly with the organization's strategic priorities and addresses emerging risks effectively.
2. Monitoring the implementation of the manual through regular review, constructive feedback, and a focus on ongoing improvement.
3. Fostering an environment that promotes transparent communication and collaboration with the internal audit team, ensuring that audit findings are promptly addressed and resolved.
4. Providing the resources required to strengthen the internal audit function's capacity and enhance its ability to deliver meaningful insights.

The Committee is confident that through concerted efforts and adherence to this manual, the Internal Audit function will continue to serve as a trusted advisor, contributing significantly to the organization's long-term success.

We are optimistic that the successful implementation of this manual will greatly enhance our governance practices and risk management frameworks, paving the way for continuous organizational improvement.

Prof. Albert Kimutai

Chairperson – Audit, Risk and Governance Committee

KEPHIS

ACKNOWLEDGEMENT

On behalf of the Internal Audit Directorate, I would like to extend my heartfelt gratitude to all the stakeholders who have generously contributed their time, expertise, and support in the development of the Internal Audit Manual.

This manual represents a collective effort, drawing on the valuable insights, recommendations, and feedback of key individuals and departments across the organization. The collaborative approach has ensured that the manual is aligned with the organization's strategic goals and positions the internal audit function to effectively address emerging risks and challenges.

I would like to express special thanks to the following groups:

1. **The Audit, Risk and Governance Committee** – Your guidance and commitment have been instrumental in shaping this manual, and your continued support is vital for its successful implementation.
2. **Management** – Your unwavering backing and commitment to providing the necessary resources and fostering a culture of collaboration with the internal audit team are greatly appreciated.
3. **Departments and Stakeholders** – Your active participation and willingness to share insights into your respective areas have allowed us to prepare the manual to meet the unique needs of the organization.
4. **Internal Audit Team** – Your dedication, expertise, and tireless efforts in developing this manual reflect the professionalism and commitment of our internal audit unit. I truly value your contributions.

Together, we have created a solid foundation for the future of Internal Audit within our organization. I look forward to working with all of you to successfully implement the strategic objectives and to further enhance our Internal Audit capabilities.

Thank you once again for your continued support and collaboration.

CPA David N. Kagoithe
Director Internal Audit

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LIST OF ABBREVIATIONS

GIAS	Global Internal Audit Standards
IAF	Internal Audit Function
ICT	Information Communication Technology
IIA	Institute of Internal Auditors
IPPF	International Professional Practices Framework
ISO	International Organization for Standardization
OAG	Office of the Auditor General
PFM	Public Finance Management
PFMA	Public Finance Management Act
PFMR	Public Finance Management Regulations

PREAMBLE

A) BACKGROUND INFORMATION

The Public Finance Management Act (PFMA), 2012, and Public Financial Management Regulations (PFMR), 2015 requires National Government entities to establish Internal Audit functions and Audit Committees. Further Internal Audit functions and the Audit Committees are subject to the provisions of the Constitution of Kenya (2010), Mwongozo Code of Governance for State Corporation, Gazette notices, Government circulars, Audit Committee Guidelines and any other applicable laws and regulations.

B) INTRODUCTION

The Internal Audit manual has been developed to provide direction, advice and information on the provision of internal auditing services to KEPHIS. The manual consolidates and brings up-to-date existing guidelines and supports the development of the internal auditing function in the Corporation.

The manual is for use by the Corporation's auditors and is tailored to meet the Department's needs in discharging its duties and responsibilities towards those being audited in the Corporation. The manual also provides useful reference material to other stakeholders including accountants, ICT, technical staff and external auditors among others.

The manual reflects international best practices in internal auditing as required by the Global Internal Auditing Standards.

The Department is responsible for conducting an appraisal of all the Corporation's activities, financial and otherwise and giving assurance to the management and the board on the adequacy and effectiveness of all control systems. The Department also assists management by evaluating and reporting to them on the effectiveness of the controls and ensuring that the laid down regulations and procedures are adhered to. However, it remains the duty of management, not the Internal Audit, to operate an adequate system of internal controls.

C) OBJECTIVES OF THE MANUAL

The purpose of the manual is to:

- i. Provide guidance to internal auditors so that they comply with audit procedures
- ii. Assist auditors in achieving the highest possible quality
- iii. Promote the highest level of professional competence among the auditors

- iv. Provide a basis for measuring audit performance
- v. Allow KEPHIS staff to gain a better perspective and understanding of the practices and professionalism of the Department

D) SCOPE AND RESPONSIBILITY

The scope of internal auditing encompasses, but is not limited to , the examination and evaluation of the adequacy and effectiveness of the organizations' governance , risk management and internal controls as well as the quality of performance in carrying out assigned responsibilities to achieve the organizations stated goals and objectives ; This includes

- a) Evaluate Risks exposure relating to achievement of the organizations' strategic objectives.
- b) Evaluate accuracy, reliability and integrity of operational and financial information.
- c) Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws and regulations which could have significant impact on the organization.
- d) Evaluating the means of safeguarding assets and as appropriate, verifying the existence of such assets.
- e) Evaluating the effectiveness and efficiency with which resources are employed.
- f) Evaluating operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned
- g) Monitoring and evaluating governance process
- h) Monitoring and evaluating the effectiveness of the organizations risk management process
- i) Liaise with external auditors and the degree of coordination with internal auditors
- j) Performing consulting and advisory services related to governance, risk management and controls as appropriate for the organization.
- k) Reporting periodically on the internal audit activity 's purpose, authority, responsibility and performance relative to its plan
- l) Reporting significant risk exposures and control issues, including fraud risks, governance issues and other matters needed or requested by the Board.
- m) Evaluating specific operations at the request of the Board or management as appropriate.

- n) Carrying out follow-up audits on actions taken by management to remedy weaknesses identified ensuring that good practice is identified and communicated widely.

Any deviations from the approved annual internal Audit plan will be communicated to senior management and the Board through periodic and quarterly reports.

E) EFFECTIVE DATE AND REVIEW

This Manual shall be effective on the date approved by the board. The Manual will take account of the latest international developments in Internal Audit and shall be reviewed every three years or when circumstances dictate.

CHAPTER 1 – MANDATE OF INTERNAL AUDIT FUNCTION

1.1 INTERNAL AUDIT DEFINITION

An independent, objective assurance and advisory service designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

1.2 MISSION OF IAF IN THE ENTITY

To provide independent and objective assurance and advisory services designed to improve KEPHIS operations and to support the achievement of the strategic objectives

1.3 INTERNAL AUDIT CHARTER

The Director Internal audit shall be required to develop KEPHIS internal audit charter to be an annex to the Internal Audit Manual.

The Internal Audit Charter provides for:

- i. Purpose of the Internal Audit
- ii. Internal Audit Authority
- iii. Internal Audit Independence and Objectivity
- iv. Internal Audit Reporting Structure

1.4 CORE PRINCIPLES FOR THE PROFESSIONAL PRACTICE OF INTERNAL AUDITING

The Internal Audit function will be required to demonstrate the following Core Principles;

- i. Demonstrates Integrity
 - a) Honesty and Professional courage
 - b) Organizational ethical expectations
 - c) legal and ethical behavior
- ii. Maintain Objectivity
 - a) Individual objectivity
 - b) Safeguard objectivity
 - c) Disclosing impairments to objectivity

- iii. Demonstrates competency
 - a) Competence itself
 - b) Continuous professional development
- iv. Exercise due professional care
 - a) Conformance with the Global International Standards
 - b) Due professional care
 - c) Professional Skepticism
- v. Maintains confidentiality
 - a) Use of information
 - b) Protection of information
- vi. Communicates effectively
- vii. Is insightful, proactive and future-focused

1.5 IMPAIRMENT TO INDEPENDENCE OR OBJECTIVITY

1.5.1 ACTIVITIES THAT MAY IMPAIR INDEPENDENCE OR OBJECTIVITY

PFMR r. 162(5) requires that all Internal Audit activities remain free of influence by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of an independent and objective mental attitude necessary in rendering reports.

There are situations in which certain responsibilities may create (actual or perceived) impairment of the Internal Audit independence or objectivity. Such responsibilities include:

1. Supporting management in the development and implementation of policies and procedures.
2. Conducting investigations.
3. Compliance or risk management implementation activities.

Internal Auditors may at times be in situations that may result to impairment of their independence or objectivity. These include:

1. Auditing an area where recently the Internal Auditor was undertaking a management role.
2. Auditing an area which may result to conflict of interest e.g. an area where family member of close friend is working in or an area where the Internal Auditor has self-interest.
3. Preconceived ideas towards individuals, or towards the audited bodies or their projects or

programs.

4. Auditing an area where the Internal Auditor recently provided consulting services in which the nature of the consulting impaired objectivity and the individual objectivity was not managed when assigning resources to the assignment.
5. Financial interest by the Internal Auditor or close association in the audited body, or its activities.
6. Assuming without evidence that an area under audit is acceptable based solely on prior positive experience.
7. Long-term deployment of Internal Audit staff to one Department or Function can affect their independence and impartiality.

Impairment to the independence or objectivity of Internal Audit function may also arise due to:

1. Director Internal Audit reporting functionally to an office which the IAF is expected to audit.
2. Director Internal Audit does not have functional reporting to the Audit Committee.
3. Limitation of scope.
4. Limitation of authority.
5. Lack of control over the budget of the IAF.
6. Resource limitation including funding, human capital.
7. Undue influence on the plan, audit procedures and audit reports.
8. Restricted access to those charged with governance, records, other personnel, physical resources and assets necessary for the performance of the audit;
9. Director Internal Audit is unable to conduct audits and report findings, opinions, and conclusions objectively without fear of reprisal.

1.5.2 SAFEGUARDS TO LIMIT IMPAIRMENTS TO INDEPENDENCE OR OBJECTIVITY

To manage the risk of impairment of IAF or Internal Auditor independence or objectivity the Board and Managing Director shall work with the Director Internal Audit to:

1. Ensure Internal Auditors do not; Perform management or operational duties; Initiate or approve accounting transactions external to the IAF; or Direct the activities of any employee in the entity not employed by the IAF, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the Internal Auditors.
2. Where management activities have been assigned to IAF by the Board and Managing

Director, a transition plan to be developed by the Accounting Officer to move these activities out of IAF.

3. Ensure Internal Auditors exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined or audited.
4. Ensure Internal Auditors make balanced assessments of all available and relevant facts and circumstances and disclose all material facts known which if not disclosed could distort the reports or conceal unlawful practice.
5. Ensure Internal Auditors take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.
6. Ensure Internal Auditors do not accept any gifts, inducements, or other benefits from employees of the function being audited, or their suppliers and other third parties.
7. Obtain external assurance on management activities being undertaken by IAF.
8. Regularly review the responsibilities assigned to the Director Internal Audit and the impact they have on independence and objectivity of IAF and Internal Auditors.
9. Regularly review the reporting lines of the Director Internal Audit and assess if there are any factors that would impair Internal Audit objectivity and independence.
10. Ensure the Director Internal Audit has developed an effective system for identifying, reporting and resolving impairment factors which shall include:
 - a) Ensuring an Internal Auditor shall not perform audit assignments for providing assurance relating to activities and structures on which he or she has provided consulting services or in which he had been employed over in the last twenty-four months as stipulated by PFMR r. 168; and IAF performance management system balances between audit client feedback, results of the audit process and undertaking audit engagements.
 - b) Undertaking adequate supervision by reviewing of each audit assignment
11. Ensure the Director Internal Audit discloses any interference and related implications in determining the scope of Internal Auditing, performing work, and/or communicating results to the Board and Managing Director.
12. Establish a system for Internal Auditors to report conflict of interest.
13. Ensure that planning and assigning Internal Auditors to audit engagements reduces the risk of conflict of interest.

14. Ensure the Internal Auditors sign a declaration of independence and objectivity on a regular basis or at least annually.
15. Ensure the Managing Director and the Board receives confirmation from the Director Internal Audit at least annually on the independence of the Internal Audit Function.
16. Ensure there are safeguards in place to limit impairments to independence or objectivity in instances where the Director Internal Audit has been assigned roles and responsibilities that fall outside of Internal Auditing role.

Where the Director Internal Audit determines that a certain threat will impair the organizational independence and objectivity of the Internal Audit function, he or she shall communicate in writing to the Audit Committee. The Director Internal Audit shall include the following in the report;

1. The identified threat(s)
2. Analysis of the threat(s), including root cause analysis
3. Projected impact of the threat(s)
4. Suggested safeguard interventions

The Audit Committee shall discuss the threats to Organizational Independence and objectivity in their meetings. The Audit Committee shall pursue the matter with the Management to provide for safeguards against such threats and action plan towards eliminating the threats.

1.6 CODE OF ETHICS

Internal Auditors shall maintain high standards of professional ethics and shall observe the ethical and professional requirements of their professional bodies. Internal Auditors shall be expected to conform to the IIA Code of Ethics that outlines the principles and rules of conduct for the internal audit profession.

CHAPTER 2 – MANAGING THE INTERNAL AUDIT FUNCTION

The Director Internal Audit shall put in place measures to effectively manage the Internal Audit Function.

The department is considered to be adding value to the organization and its stakeholders when it considers strategies, objectives and risks impacting the organization; and strives to offer ways to enhance governance, risk management and controls processes and systems of the organization.

2.1 STRATEGIC & ANNUAL PLANNING

To ensure the planning process is risk-based, the Director Internal Audit shall consult with the Board and Senior Management and consider the Entity's strategies, key business objectives, associated risks, and risk management processes. The Director Internal Audit shall

1. Develop a three year Internal Audit Strategic Plan
2. Develop an annual Risk-based Internal Audit Plan

2.1.1 STRATEGIC PLANNING

The Internal Audit strategic plan shall contain:

- a. Vision
- b. Mission
- c. Stakeholder Analysis
- d. Goals
- e. Objectives and Strategies
- f. Monitoring and Evaluation
- g. Assumptions

The three year Internal Audit Strategic Plan, shall be annexed to the internal audit manual

2.1.2 ANNUAL PLANNING

The Director Internal Audit shall prepare a risk-based annual internal audit plan that is consistent with KEPHIS strategic objectives

The annual planning process commences with;

1. Establishing the audit universe i.e. all auditable area that may include functions, processes, systems and locations.
2. Grouping the audit universe into manageable audit areas.

3. Risk assessment and risk mapping of the auditable areas.
4. Prioritization of the audit assignment in the annual risk-based audit plan.
5. Approval of the audit plan.

Risk-based auditing is adopted as per PFMR r. 170 (1) to ensure that limited resources are directed to areas of greater risk to the achievement of Entity objectives. This helps to prioritize limited audit activities. The IAF shall assess and rank each auditable unit based on its significance to the achievement of the Entity's objectives, its complexity in terms of ensuring that intended outcomes are achieved, and its sensitivity in terms of the public or the intended beneficiaries.

The Internal Auditors shall make use of the established risk management framework in developing the Internal Audit annual plan.

The Annual Risk-Based Internal Audit Plan shall include:

1. A list of audit engagements and specification regarding whether the engagements are: assurance or consulting in nature; governance, risk management or controls engagements; and follow-up audits (as separate engagements or undertaken as part of engagements).
2. Objectives, scope and timing of each proposed engagement.
3. Rationale for selecting each proposed engagement based on assessment of the factors (i.e. risk assessment, budgetary allocation, management concern etc.)
4. Priority level of each engagement based on the risk rating. Area/s of high risk should have a higher frequency of review compared to those of lower risk rating.

The allocation of audit frequency is a matter of professional judgment.

5. A list of initiatives or projects that result from the Internal Audit strategy but may not be directly related to an audit engagement.
6. Time allocated to undertake ad-hoc engagements requested by the Audit Committee or Accounting Officer. Ad-hoc requests by management must be approved by the Accounting Officer. There are times where the ad-hoc requests require more time than what has been allocated in the annual plan. The Director Internal Audit shall assess the risk profile of the requests and compare with the scheduled engagements to determine if the ad-hoc requests have a higher priority (have a higher risk) than some of the scheduled engagements and adjust the annual plan appropriately.
7. The staff resources and other resources available expected and budgeted.
8. The resource gap if any, including proposals on how this gap could be dealt with, and the

risks consequences arising if the proposals are not able to be implemented.

9. A summary of capacity building that is planned to take place during the period.

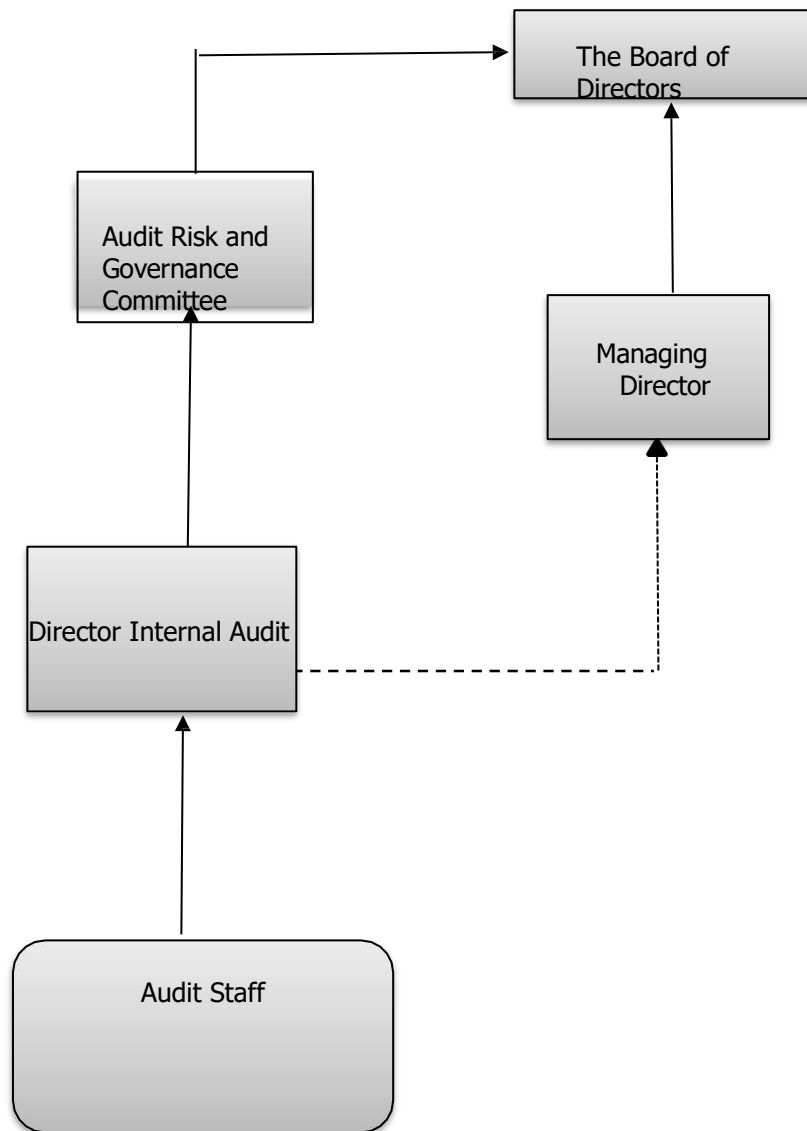
2.2 INTERNAL AUDIT FUNCTION STAFFING AND PROFICIENCY

2.2.1 STAFFING INTERNAL AUDIT FUNCTION

The IAF should be appropriately staffed in terms of numbers, grades, qualification levels, and experience, having regard to the Internal Audit Charter, Internal Audit Strategic Plan and Annual Internal Audit Risk-Based Plan. The Director Internal Audit shall ensure that those with appropriate background, personal qualities, and potential should be recruited as Internal Auditors. Thereafter, steps should be taken to give them the necessary training and experience.

The Director Internal Audit shall work with the Accounting Officer to ensure the human capital management program and terms of employment (Career Progression Guidelines) enable the IAF to attract and retain staff with the appropriate academic and professional qualifications, experience, and personal attributes. The Director Internal Audit shall specify the required competencies, including minimum qualification, experience, and other criteria for appointment/promotion of Internal Auditors to the more senior grades.

Internal Audit Function Structure



----- Administrative reporting

_____ Functional reporting

Job descriptions and job specifications shall be as provided in KEPHIS Career progression guidelines.

2.2.2 RESOURCE MANAGEMENT

The Director internal audit manages resources to implement the internal audit function's strategy and achieve its plan and mandate.

2.2.2.1 STRATEGIC PLAN RESOURCING

The Director Internal Audit shall establish the resources required in implementing the Internal Audit Strategic Plan and timelines of acquiring the same. This shall be integrated with the entity's strategic and business plans to ensure that as the entity is seeking funding to implement its strategic plan the funding requirements of IAF are also considered. The Internal Audit Strategic Plan shall be implemented through the Annual Risk-Based Internal Audit Plan and thus resource mobilization to support the Strategic Plan shall be undertaken through the annual audit plan.

The Director Internal Audit shall ensure the resources are appropriate in terms of the mix of knowledge, skills, and other competencies needed to perform the plan. The resources should also be sufficient in terms of the quantity of resources needed to accomplish the plan. Resources shall be deemed to be effectively deployed when they are used in a way that optimizes the achievement of the approved plan.

2.2.2.2 ANNUAL PLAN RESOURCING

The Annual Risk-Based Internal Audit Plan contains Internal Audit engagements and a list of initiatives or projects that result from the Internal Audit strategy but may not be directly related to audit engagements. The Director Internal Audit, in developing the budget to support the annual audit plan, shall consider the two elements. The Director Internal Audit shall consider the following steps in establishing the budget to support the

Financial resources - The Director internal audit must develop a budget that enables the successful implementation of the internal audit strategy and achievement of the plan. The budget includes the resources necessary for the function's operation, including training

Human resources - The chief audit executive must communicate with the board and senior management regarding the appropriateness and sufficiency of the internal audit function's human resources. If the function lacks appropriate and sufficient human resources to achieve the internal audit plan, the chief audit executive must determine how to obtain the resources or communicate timely to the board and senior management the impact of the limitation

Technological resources - The chief audit executive must strive to ensure that the internal audit function has technology to support the internal audit process. The chief audit executive must regularly evaluate the technology used by the internal audit function and pursue opportunities to improve effectiveness and efficiency.

2.3 PLAN COMMUNICATION AND APPROVAL

The Director internal audit in line with PFMR r. 170(1) submits the prepared Annual Risk-based Internal Audit Plan and budget and submits it to the Audit Committee and Senior Management considering the institutional budgeting process and timelines.

On a quarterly basis the Director Internal Audit shall provide progress reports to the board and Senior Management on the implementation of the plan and budget.

2.4 COORDINATION AND RELIANCE

The Director Internal Audit shall coordinate with internal and external providers of assurance services and consider relying upon their work. This is to minimize duplication of efforts, highlights gaps in coverage of key risks, and enhances the overall value added by providers.

However, when the internal audit function relies on the work of other assurance service providers, the chief audit executive must document the basis for that reliance and is still responsible for the conclusions reached by the internal audit function.

To determine whether the internal audit function may rely on the work of another provider, the methodology should consider the provider's:

- a) Potential or actual conflicts of interest and whether disclosures were made.
- b) Reporting relationships and the potential impacts of this arrangement.
- c) Relevance and validity of professional experience, qualifications, and certifications.
- d) Methodology and the due professional care applied in planning, supervising, documenting, and reviewing the work.
- e) Findings and conclusions and whether they are reasonable, based on sufficient, reliable, and relevant evidence

2.4.1 COORDINATION AND COLLABORATION WITH THE OFFICE OF THE AUDITOR GENERAL

The Director internal audit shall support the OAG in fulfilling of the Auditor General Constitutional mandate as per the constitution and Public Audit act.

2.5 REPORTING TO THE SENIOR MANAGEMENT AND THE BOARD

On quarterly basis the Director Internal Audit shall prepare a report to the Audit committee and senior management on internal audit activities. The report shall include significant risks and control issues, governance issues and other matters that require the attention of the

board and senior management.

2.5.1 QUARTERLY INTERNAL AUDIT REPORTS

The quarterly reports will include information on:

1. Work performed in comparison with the approved Annual Work Plan;
2. A report on consulting engagements undertaken and other special assignments.
3. Key issues emerging from Internal Audit work.
4. Management response to key audit findings and recommendations.
5. Major disagreements with management.
6. Major limitations affecting the achievement of Internal Audit objectives.
7. A report on cooperation between internal and external audit
8. Internal and External Quality Assurance reports on the Internal Audit function if any
9. Funding: utilization vs. approved budget and impact of lack of adequate resources on the achievement of the annual audit plan and the resultant risk exposure
10. Staffing and performance

2.5.2 INTERNAL AUDIT ANNUAL REPORTS

The annual reports must include information on:

1. **Overall status of governance, risk management and controls:** this summarizes the quarterly reports.
2. **Other assurance providers' findings** and status of implementation of corrective actions
3. **Adherence to Internal Audit Charter:** assurance that the IAF adhered to the Internal Audit Charter, GIAS, Internal Audit Procedures Manual and relevant laws and regulations. The Director Internal Audit can report on factors that may have or cause the independence or objectivity of IAF to be impaired and required corrective action.
4. **Value addition:** audit client satisfaction rating; number of improvements in processes and systems arising from Internal Audit work; number of committees and task forces audit is involved in (advisory services); amount of identified cost savings or revenue increase due to Internal Audit work; and number of innovations arising from Internal Audit work.
5. **Human Capital:** staff competency index; staff engagement index; staff turnover; staff satisfaction rating; and training hours.
6. **Quality Assurance and Improvement Program:** results of on-going, annual, or

external quality assessments.

7. Independence of the Internal Audit function
8. Conformance with the Code of Ethics and the Standards, and action plans to address any significant conformance issues.
9. Management's response to risk/Audit findings that, in the Director's Internal Audit judgment, may be unacceptable to the organization.
10. Annual review of Internal Audit Charter

2.5.3 RESPONSIBILITIES OF AUDIT COMMITTEE SECRETARY

Audit Committee guidelines through gazette notice no.2691, requires that the Director Internal Audit shall be the secretary to the committee. The Director Internal Audit should support the Chairperson of the committee in identifying matters to be discussed. The Chairperson of the committee and the secretary should agree procedures for commissioning briefing to accompany business items on the committee's agenda and timetables for the issue of meeting notices, agendas, and minutes. The Chairperson of the committee should always review and approve minutes of meetings before they are circulated. The specific responsibilities of the Audit Committee Secretary should include;

1. Ensuring that new members receive appropriate induction training, and that all members are supported in identifying and participating in ongoing training.
2. Meeting with the Chairperson of the Committee to prepare agendas for meetings.
3. Draft the work plan for the Audit Committee for the Chairperson and members' review.
4. Circulating meeting documents in good time before each meeting.
5. Arranging for executives to be available as necessary to discuss specific agenda items with the committee during meetings.
6. Keeping a record of meetings and providing draft minutes for the Chairperson's approval.
7. Ensuring action points are being taken forward between meetings.
8. Support the Chairperson in the preparation of Audit Committee reports to the Board.
9. Keeping the Chairperson and members in touch with developments and relevant background information of the entity.

CHAPTER 3 – NATURE OF INTERNAL AUDIT SERVICES

Internal Audit shall provide the following services:

3.1 ASSURANCE SERVICES

Assurance services shall involve the Internal Auditor's objective examination of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for KEPHIS. In support of the risk management process, Internal Audit shall provide assurance that:

1. The risk management process has been applied appropriately and that elements of the process are suitable and sufficient.
2. The risk management process is keeping with the strategic needs and intent of the entity.
3. Processes and systems are in place to ensure that all material risks have been identified and are being treated.
4. All prioritized intolerable risks have cost-effective treatment plans in place.
5. Controls are being correctly designed in keeping with the outputs of the risk management process.
6. Key controls are adequate and effective.

3.2 ADVISORY SERVICES

Internal audit shall provide advisory services to management and stakeholders without providing assurance or taking on management responsibilities.

3.3 GOVERNANCE

The board and Senior Management are responsible for establishing appropriate governance processes and systems. The board, Senior Management and the IAF are considered key components on an effective governance system. Management is responsible for supporting the Managing Director implement the governance systems and processes established by the board. The IAF provide reasonable assurance that the governance, risk management and controls processes and systems are appropriately designed and are working as expected. PFMR r. 160(1) (b) requires the Director Internal Audit to provide reasonable assurance through the

board on the state of governance systems and process of KEPHIS.

3.4 RISK MANAGEMENT

It's the role of the senior management of KEPHIS to ensure a risk management framework is established that builds robust business operations and includes fraud prevention mechanisms as stipulated by the PFMR r. 165. The Internal Auditor is expected to provide reasonable assurance through the board on the state of the risk management framework established by the Senior Management as stipulated by the PFMR r. 160(1) (b) and the public sector risk management guidelines issued by PSASB.

3.5 CONTROLS

The Senior Management are responsible for establishing, administering and assessing effectiveness of controls whereas the Internal Auditor is expected to provide reasonable assurance to the Board and Senior Management that the controls are operating as intended.

3.6 FRAUD

It's the role of the Senior Management to establish: fraud prevention system which includes a fraud- prevention policy; integrate fraud risk assessment with entity risk management framework; whistleblowing system that protects the whistle-blower and ensures effective expedition of reported fraud causes; preserving evidence, handling the results of investigations, reporting and communicate the results of investigations to appropriate authorities. Internal Auditors may assist in the evaluation of the policy.

PFMR r. 167 requires the Director Internal Audit to report indicators of fraud, material breaches and wasteful expenditure to the Cabinet Secretary. Internal Auditors when undertaking their engagements are expected to take due professional care to detect possibility of fraud. Although Internal Auditors are expected to detect fraud they are not expected to have the expertise of someone whose role is solely to detect fraud (i.e. due professional care does not imply infallibility).

Audit procedures alone even when performed with due professional care, cannot guarantee that fraud will be detected. Consequently, the Senior Management should establish effective systems for preventing, detecting and resolving fraud.

3.7 TYPES OF AUDITS

The mandate of the Internal Auditors as provided for in PFMR r.160 (1) can be achieved through carrying out a number of types of audits. Audits may be categorized under the following types;

1. Financial audits
2. Compliance audits
3. Operational audits
4. ICT audits
5. Value for Money Audit (Performance Audit)
6. Procurement Audit
7. Project and Technical Audits
8. Governance Audit
9. Emerging areas of Audit

CHAPTER 4 –INTERNAL AUDITING PROCESS

The internal audit process provides information on the framework for undertaking all Internal Audit engagements as provided for by the GIAS domain V from planning to reporting and monitoring progress on the implementation of audit results. These processes include:

1. Planning for the Audit/Engagement(Principle 13)
2. Conduct the Audit (Principle 14)
3. Reporting Audit results (Principle 15)
4. Follow up (Standard 15.2)

Specific assignments shall be undertaken as per the SOP for:

1. Preparation and Execution of Audit assignment
2. AD Hoc Assignments

CHAPTER 5 – QUALITY ASSURANCE AND IMPROVEMENT PROGRAM

The Director Internal Audit shall ensure assessment of the effectiveness of the Internal Audit department through an internal performance appraisal and shall carry out annual review of the performance of the Internal Audit function commenting on its effectiveness in the annual report to the board as required by the GIAS and PFMR r. 166(1).

5.1 Internal assessment

Internal assessment is done using the monitoring matrix that is used to track audit committee resolutions shared for management actions to close reported gaps. This is quarterly reported in the audit committee meetings. Post audit review feedbacks questionnaires can be used where necessary to get feedback from Auditee on the audit objectives.

5.2 External assessment

The Director Internal Audit shall develop a plan for an external quality assessment and discuss the plan with the board. The external assessment shall be performed at least once every five years by a qualified, independent assessor or assessment team. The requirement for an external quality assessment may also be met through a self-assessment with independent validation.