
*** ACCA INTERNAL AUDIT BULLETIN ***

*** ISSUE 8 - APRIL 2001***

Information from ACCA to internal auditors across the world.

ACCA is the largest global professional accountancy body, with 250,000 members and students in 160 countries. ACCA's headquarters are in London and it has 28 staffed offices around the world. The ACCA syllabus has been recognised by the United Nations as providing the basis for a global accountancy qualification. ACCA's mission is to provide quality professional opportunities to people of ability and application, to be a leader in the development of the global accountancy profession, to promote the highest ethical and governance standards and to work in the public interest.

Further information on ACCA is available on ACCA's website (<http://www.accaglobal.com>)

This Bulletin aims to provide up-to-date news, information and comment from and to internal auditors across the world. The success of the Bulletin depends on your contributions. We want to hear your news, views and comment.

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Back issues in RTF format may be downloaded from: http://www.accaglobal.com/tech_dev.html
(select 'Technical publications and links')

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ACCA INTERNAL AUDIT SUB-COMMITTEE

NEWS

Public Sector Internal Auditing Guidelines Agreed for East and Southern Africa

Revised Internal Auditing Guidelines for east and southern African public sector entities were agreed at a successful two-day workshop in February. Heads of internal audit from the ministries of finance of 12 countries across the region attended the workshop in Gabarone, Botswana.

The workshop was organised by the East and Southern African Association of Accountants General (ESAAG). The Guidelines, originally developed in 1996, had been substantially revised and updated by Andy Wynne, a member of the ACCA Auditing Committee, who also led the workshop.

Wide ranging discussions, with active participation from each country, ensured that good practice from across the region was identified and included in the Guidelines. These discussions covered:

- * the relative merits of different forms of organisation for internal audit
- * the extent that internal audit should be a centralised function provided to all ministries
- * the advantages and disadvantages of internal audit authorising individual payments
- * the ways that Internal Audit and the Auditor-General's Department can best work together.

The workshop agreed that, where possible:

- * systems audit should be the main approach with the time spent on pre-audit to be correspondingly reduced
- * internal audit in all ministries should be organised as a single department led by a senior official in the ministry of finance
- * audit committees established for each ministry should agree audit plans, monitor audit effectiveness and the implementation of audit recommendations.

ESAAG is to hold a further internal audit workshop in 6 to 12 months time to consider any further amendments to the Guidelines and to report back on the extent to which the revised Guidelines have been implemented. Before this workshop, further consideration is to be given to the establishment of an association specifically for government internal auditors in the region. This would enable and encourage the further sharing of experience and approaches to internal audit and would also facilitate the cost-effective provision of internal audit training across the region.

Copies of the revised Guidelines are available from info@accaglobal.com (please quote 'ESAAG Guidelines' in the subject line).

The Review of Audit and Accountability for UK Central Government

An independent review examining suitable arrangements for the audit and accountability of central government in the UK was published in February. The areas covered by the review include the roles and powers of the Comptroller and Auditor General, particularly in the light of developments in the way public services are delivered; corporate governance; the implications for attitudes to risk-taking; the costs and burden of regulation; the audit of joined-up activities; and performance validation.

The Government has welcomed the review and will issue a formal response in due course. As Roger Adams, Technical Director of ACCA says: 'There will be plenty of work for the profession -

the comptroller and auditor general will be required to outsource an equal number of appointments, so work will not disappear from the private sector'.

David Davis, Chairman of the Parliamentary Public Accounts Committee, was one of the first to congratulate Sharman on his recommendations. At the time of publication he said: 'The fact that I shall be recommending to my committee that we accept the report in full speaks volumes for my support'.

SHARMAN'S KEY RECOMMENDATIONS

- * Independently chaired audit committees should be introduced
- * Well-resourced and independent internal audit, with close links to the audit committee and external audit
- * Continuing efforts to improve risk management in government
- * Corporate governance - departments should apply private sector principles of internal control
- * Audit and access rights - NAO to audit all non-departmental public bodies
- * Make the most of audit work - NAO to brief select committees on key financial issues
- * Financial audit - NAO's financial audit to be independently checked, with more audit work outsourced
- * Performance measurement - external validation of published performance data.

The report is available from: http://www.hm-treasury.gov.uk/docs/2001/sharman_1302.html

OECD guidance on the development of good ethics

The Organisation for Economic Co-operation and Development (OECD) has published a report to assist policy makers to devise contemporary ethics strategies world-wide. Building Public Trust: Ethics Measures in OECD Countries outlines the findings of the 1999-2000 OECD ethics survey. This identifies common core values such as impartiality, integrity and transparency and goes on to describe the key components of an effective and comprehensive ethics management policy:

- * communication and inculcation of core values (NB here, 'inculcation' means causing acceptance of the core values through persistent and earnest teaching)
- * promotion of ethical standards
- * compliance monitoring to detect and discipline misconduct.

For more information about the OECD's public ethics efforts and a summary of this report visit their website at <http://www.oecd.org/puma/ethics/events.htm>

Corruption database

The Public Services International Research Unit (PSIRU) has been contracted to set up a global database and union network on corruption. The aim is to support action at all levels against corruption. This includes enabling trade unions to tell the Organisation for Economic Co-operation and Development (OECD) about corruption issues relating to trade in emerging economies. PSIRU has also decided to make its reports more user-friendly (all will now have executive summaries) in order to broaden their usefulness. See <http://www.psiru.org>

So far, 34 countries have implemented the 1999 OECD Convention to combat bribery of public officials in international business transactions. Monitoring meetings, including meetings with trade unions, will begin in June. An OECD book on the corruption issue No Longer Business as Usual, is now available. See <http://Interdev.oecd.org/subject/bribery>

Council fraud levels 'Tip of the Iceberg'

The Audit Commission in the UK has admitted that the level of detected fraud in local government is the tip of the iceberg and that it does not know the full extent of losses to the public purse. However, the Commission's latest annual local government fraud report did show that the level of uncovered fraud has fallen for the first time in 10 years. Although the report still criticised councils for their lack of policies for countering fraud. One in six do not have an anti-fraud strategy in place, while one in eight do not have a whistleblowing policy. Protecting the Public Purse is available at <http://www.audit-commission.gov.uk>

We would be interested to receive copies of anti-fraud strategies or whistleblowing policies for inclusion in future Bulletins. We would also be interested to receive comments on their value and success.

British public hit by problems in Government computer projects

The British public has been hit by a number of costly problems with public computer projects in recent years. These have included:

- * the final phase of the Home Office asylum and immigration case work system was scrapped at an alleged cost of nearly pounds sterling 80m earlier this year, installation began in 1998
- * the public faced long queues for new passports in summer 1999 because of a breakdown in the new computer system for the Passport Agency, this system has yet to be completed despite the costs of passports being increased
- * problems with the Contributions Agency computer dealing with individual National Insurance accounts resulted in compensation payments to personal pension holders and benefit claimants resulting in extra costs of pounds sterling 53 million
- * the Ministry of Defence's new computer system for defence intelligence staff, Project Trawlerman, was written off at a cost of pounds sterling 41 million
- * the Prison Service's computer system to prevent inmates phoning their victims, delayed for four years
- * National Air Traffic Services new control centre was six years late and costs almost doubled
- * a new computer for the London police was delivered four years late with a pounds sterling 3 million overspend
- * the clinical coding system for NHS patients was abandoned after spending pounds sterling 32 million over eight years.

These problems highlight the need to have in place effective controls over the development of computer systems. Such controls are covered in several chapters on the acquisition of computer facilities in the publication, Computer Audit Guidelines, that is reviewed below.

Risk management study

Accountants interested in significantly enhancing an organisation's economic performance by better managing risk can gain insights from an FMAC commissioned study: 'Enhancing Shareholder Wealth by Better Managing Business'. Developed in conjunction with PricewaterhouseCoopers' Global Risk Management Solutions group, the study was written in response to an increasing demand for information on risk management issues. It may be accessed online through the IFAC bookstore - at <http://www.ifac.org/> for a fee of US dollars 22. A limited amount of print copies are also available for a fee of US dollars 25.

IAPC and Basel Committee release exposure draft on role of auditors and bank supervisors

Auditors, bank supervisors and regulatory officials are invited to comment on an exposure draft, 'The Relationship Between Banking Supervisors and Banks' External Auditors', developed by IFAC's International Auditing Practices Committee (IAPC) and the Basel Committee on Banking Supervision. The purpose of the proposed new International Auditing Practice Statement (IAPS) is to provide information and guidance on how the relationship between bank auditors and supervisors can be strengthened to mutual advantage. The ED may be downloaded from the IFAC site at <http://www.ifac.org/> or from the BIS web site (<http://www.bis.org/>). Comments are due by June 12.

Publication on Government Governance published by the Netherlands

The Government Audit Policy Directorate (DAR) of the Netherlands Ministry of Finance has written a paper on corporate governance in the public sector both for managers and auditors, Government Governance - corporate governance in the public sector, why and how? According to this publication, the objective of government governance is to create safeguards for achieving policy objectives. The design and operation of governance is important at various levels, from government minister to implementing organisations. The essence of sound governance, from the perspective of ministerial responsibility, is that there are safeguards enabling the minister to bear this responsibility. The paper describes a tool for reviewing and analysing the governance structures in the public sector. A governance analysis should make clear whether there is enough assurance about the coherence and interrelations between management, control, supervision and accounting, the four elements of government governance. The paper could be used in all policy areas, eg education, welfare, agriculture, taxation and healthcare. The paper is available from: <http://www.minfin.nl/uk/budget/GovGov.htm>

IFAC also have a draft paper on corporate governance that is available at: <http://www.ifac.org/Guidance/EXD-Download.tmp?PubID=96420589150174>

Corporate governance 'hampers non-executive directors'

The 'heavy hand of corporate governance' diverts non-executive directors from their key strategic roles, according to PricewaterhouseCoopers research. And tension between the two aspects of the non-executive's role - strategic and monitoring - is also causing concern, with governance providing a distraction from strategic considerations. The study states: 'The non-executive's job is widely regarded as having become more onerous and more challenging, not simply because of the increased workload but also as a result of higher levels of expectation and greater exposure to public scrutiny. Many of those interviewed believe that corporate governance developments from the Cadbury report onwards have tended to stifle the strategic contribution of non-executives'. But the survey noted that there was a contrary view that non-executives in the UK may be placing insufficient emphasis on their responsibilities to monitor executive management. The report is available at <http://www.pwcglobal.com/extweb/uk/neds.nsf>

Management most likely to commit fraud

Company managers were responsible for 75 per cent of fraud in Britain's SMEs, an ACCA survey has found. And worryingly, management fraud at larger enterprises is unlikely to be detected by auditors.

<http://www.accountingweb.co.uk/item/37523/101>

According to another survey of 800 British executives undertaken for Management Today, most managers know of fraud occurring in their workplace, though 40 per cent say they would not report it to their supervisors. Most managers, according to this survey, believe that workplace fraud is inevitable and many look the other way when faced with such unethical behaviour.

For example:

- * 75 per cent of managers believe that making personal telephone calls from work is acceptable

- * 48 per cent tolerate taking pens and pencils from work

- * 22 per cent accept surfing the net for pleasure in working hours.

Further details from: <http://www.clickmt.com/magazine/jan01/featr.cfm>

World Bank listing of firms ineligible due to fraudulent or corrupt practices

In December 2000 the World Bank updated its list of firms and individuals that are ineligible to be awarded a World Bank financed contracts. They are not eligible because they were found to have violated the Bank's provisions on fraud and corruption in its procurement guidelines. A total of 53 companies are banned from bidding for work, 36 (or 68 per cent) are from one country, the UK. The law against bribery in the UK dates from 1906 and the maximum fine is pounds sterling 500. The listing of ineligible firms is available at <http://www.worldbank.org/html/opr/procure/debarr.html>

Serious Fraud Office calls for English fraud review

If you are going to be a victim of internet fraud, it is better to be one in Scotland, according to Stephen Low, assistant director of the Serious Fraud Office (SFO), UK. Low issued his warning at a fraud conference in Edinburgh, and said his point would become increasingly significant as new technology brought new opportunities for fraudsters.

His warning was based on the differences between Scottish and English law. Scottish law contains the offence of 'bringing about a definite practical result by means of a false pretence' but in England and Wales prosecutors are forced to pit suspected crime against existing statutes, all written before the new economy existed. Low said: 'The SFO is arguing strenuously for a review of English law. A generalised offence of fraud based on deception would, clearly, cover activity in the new economy, even if that particularly activity could not yet be predicted'.

Low also warned of the dangers of digital signatures, which became legal last year. 'It will not be long before a digital signature is misused', he said.

GAAP 2000 report

GAAP 2000: A Survey of National Accounting Rules in 53 Countries was recently released by the major accounting firms and is available at <http://www.ifad.net/> The report contains summary comparisons of national accounting rules against International Accounting Standards. It is part of a worldwide undertaking to address World Bank President James Wolfensohn's challenge to the accounting profession to 'Push the agenda for harmonisation of accounting standards to meet the

needs of the global marketplace'. This call to action also led IFAC and the World Bank to create the International Forum on Accountancy Development (IFAD), designed to encourage improvement in global accounting and auditing practices.

Draft audit defaults Zambia's mining needs

There is evidence that Zambia, had 'imprudent and irregular' dealings in mineral sales that cost the African nation dollars 60 million in lost revenues, according to a confidential auditor's report that detailed the losses.

In 1998 and 1999, the draft report said, managers at the then state-owned mining company had struck an exclusive contract with a Bahamas company for the sale of its cobalt. At prevailing market prices, the report said, sales of cobalt should have earned dollars 95 million for Zambia in 1998 and 1999. But, the report said, the national accounts showed an income of dollars 30 million. 'The discrepancy highlights a serious cause for concern regarding the sales of cobalt metal during this period', the auditors stated.

In June 2000, Zambia committed itself to an independent investigation of cobalt sales.

Outrage over corruption rattles leaders across Asia

Across Asia, a tide of public anger has been rising against government officials suspected of graft. Fighting corruption has emerged as a top issue almost everywhere on the continent, raising the prospect that Asian leaders other than Philippine President Joseph Estrada will be forced to step down. In India, for example, the scandal over defence contracts led to the resignation of the defence minister.

'What happened in Manila is part of a change in Asia', said Agus Purnomo, Secretary General of the Indonesia chapter of Transparency International, a global anti-corruption watchdog group. 'There is much less tolerance for corruption, cronyism, and nepotism than there was even a few years ago'.

Analysts say that one reason for the new attitude stems from the recent Asian financial crisis that caused millions of people to lose their jobs and slip into poverty after banks and businesses declared bankruptcy. Despite fundamental economic problems, many of those companies had received clean bills of financial health from regulators after paying bribes or kickbacks. An increasingly rapid flow of information has also contributed to the protests against corruption.

YOUR IDEAS

If you want us to cover any aspect of internal audit then let us know. If you have a favourite tip please send it to us. If you have any comments or questions about the contents of the Bulletin send them to us at: bulletin@accanet.com

We can't guarantee to solve your problems or to pass on your tips, but we will try our best. We also welcome non-commercial announcements for inclusion in the Bulletin.

BANK INTO THE FUTURE WITH IT GOVERNANCE

By Tay Un Soo,

President of Information Systems Audit and Control Association - Malaysia Chapter (1999-2001)

Introduction

Today's business world is characterised by rapid and revolutionary change in an increasingly competitive and volatile environment. In this information age and with the shift towards a knowledge-based economy, economic advantage accrues to those individuals and enterprises who are able to leverage the capabilities of today's new information and communication technologies to transform business, create new opportunities and reduce costs, and invent new business practices and services.

The Challenges of the New Economy

In this new economy, it is widely accepted that alignment between technology and business objectives is a critical success factor. Information technology is now regarded as an integral part of an enterprise's strategy instead of just solely an enabler of that strategy. Therefore, enterprises need to understand how to integrate IT and business strategies, culture and ethics in order to optimize information value, attain business objectives and capitalize on technologies.

This is indeed a very challenging task, especially when one considers the complex links among the computers, systems, databases, and network communications which enable enterprises to function, the increasing vulnerabilities and a wide spectrum of threats, such as cyber threats and information warfare, the scale and cost of the current and future investments in information and communication systems.

Bank On IT Governance

It is to address this major challenge of information technology that enterprises need to bank on IT governance so as to link business objectives and information technology which is a critical success factor. IT must be:

- * aligned with and
- * enable the enterprise to take full advantage of its information,
- * thereby maximising benefits,
- * capitalising on opportunities and
- * gaining competitive advantage.

What Is IT Governance?

IT governance is an inclusive term, which encompasses:

- * information systems, technology and communication
- * business, legal and other risk management issues
- * all concerned stakeholders, directors, senior management, process and object owners, IT suppliers, users, auditors, assurance, control and security professionals, etc.

IT governance helps ensure achievement of strategic alignment between IT and enterprise objectives by efficiently and effectively employing secure, reliable information and applied technology.

How Does IT Governance Work?

It is governed by good or best practices to ensure that the enterprise's information and related technology support its business objectives, its resources are used responsibly and its risks are managed appropriately.

These practices form a basis for management of IT activities, which can be characterised by:

- * planning and organisation,
- * acquiring and implementing,
- * delivering and supporting, and
- * monitoring

for the dual purposes of

- * managing risks (to gain security, reliability and compliance), and
- * realising benefits (increasing effectiveness and efficiency).

Reports are issued on the outcomes of IT activities, which are measured against the various practices and controls, and the cycle begins again.

COBIT - the Breakthrough IT Governance Tool

The Information Systems Audit and Control Foundation has developed a breakthrough IT governance tool called Control Objectives for Information and related Technology (COBIT) based on thirty-six international standards that helps in understanding and managing the risks associated with information technology. It provides a reference framework for security and control in IT which addresses the concern of regulators, lawmakers, users and service providers.

COBIT is designed to be used by three distinct audiences:

1. Management - to help them understand what to reasonably invest for security and control in IT and how to balance risk, and control investment in an often unpredictable environment
2. Users - to obtain assurance on the security and controls of IT services provided by internal or third parties
3. IS Auditors - to substantiate their opinions and/or provide advice to management on internal controls especially in IT security and control.

COBIT Framework's Principles

The underpinning concept of the COBIT Framework is that control in IT is approached by looking at information that is needed to support the business objectives or requirements, and by looking at information as being the result of the combined application of IT related resources that need to be managed by IT processes.

To satisfy business objectives, information needs to conform to certain criteria which COBIT refers to as business requirements for information.

They are:

1. Quality Requirements - quality, cost, delivery
2. Fiduciary Requirements - effectiveness & efficiency of operations, reliability of information, compliance with laws and regulations
3. Security Requirements - confidentiality, integrity, availability.

In order to ensure that the business requirements for information are met, adequate control measures need to be defined, implemented and monitored over these resources.

The principle applied is that IT resources are managed by a set of naturally grouped processes which need to be controlled in order to ensure that the resources provide the information that the enterprise needs to achieve its objectives.

How Can IT Governance Impact on Enterprises' Effectiveness?

IT Governance impacts by:

- * challenging business and service models

- * addressing business issues, such as, utilisation of enterprise resources, product and services convergence, electronic transactions and information gathering
- * assuring security, reliability and integrity of strategic information
- * protecting the enterprise's investment in information technologies, including systems and networks
- * ensuring the appropriate management and control of the enterprise's information assets, which are often directly responsible for the success and survival of the enterprise itself.

Conclusion

Rapid, volatile and radical change will be the order of the day in the business world of the 21st Century. As cyberspace or net centric technology is becoming more integrated into business processes and relationships, only those enterprises which bank on IT governance to ensure control, security and interdependence between their strategic planning and their IT activities will live to see tomorrow.

The COBIT Open Standards are available for free download from

http://www.isaca.org/ct_dwld.htm

They include:

- * Management Guidelines
- * Executive Summary
- * Framework
- * Control Objectives
- * Implementation Tool Set.

PUBLIC SECTOR INTERNAL CONTROL - LESSONS FROM THE GAMBIA

In August 1994, Ms Fatoumata Jallow was appointed as the Auditor-General of The Gambia, a small country in West Africa. Over the next six years, the Auditor-General's Office developed into an effective supreme audit institution. Audits were undertaken at all ministries, departments, local authorities and, with assistance from private sector audit firms, public enterprises. Reports were produced as a result of each of these audits and, where possible, agreed with the relevant Accounting Officer.

Later the Auditor-General produced a summary report of this work for the Finance and Public Accounts Committee of the National Assembly. This report provided a comprehensive summary of all the main findings and weaknesses that had previously been included in the individual audit reports. This report provides an opportunity to consider the main financial controls that are actually required in public sector organisations, from the practical experience of The Gambia. The check-list that is provided below was developed from Ms Jallow's report to the National Assembly.

Check-list of financial controls in public sector entities

1 Revenue

An annual listing of authorised tax rates, custom fees and other fees and charges should be publicly available.

All cash receipts should be banked intact, income should not be used to make any payments.

Receipt books should be controlled by:

- * matching all income records to the relevant receipt, income records to include receipt number

* the issue and use of all receipt books should be controlled centrally and departmentally

* complete records should be maintained.

All income should be independently reconciled to the bank statements on a regular basis. These reconciliations should be completed and reviewed at least once a month.

Each day income supervisors should check all cash received and ensure that this is balanced to the cash books and the copy receipts.

Regular independent cash counts should also be undertaken.

A regular 'arrears of revenue' return should be provided to the Accountant-General and the Auditor-General at least once a month.

Adequate stocks of receipt books should be maintained to ensure that official receipt books can always be used.

2 Expenditure controls

All orders and payment orders should be formally authorised by a designated officer.

A person authorised to receive goods and services should formally sign to confirm that they have been received.

An official invoice or receipt should be retained for all expenditure.

Contract payments should only be made against completion certificates.

There should be an approved list of suppliers and for the more frequent purchases an approved price list.

Competitive tendering should be used for all significant orders. Depending on the size of the order the following should be used:

- * obtaining three written quotations
- * formal tendering where suppliers have to submit sealed detailed bids for the work
- * competitive bids should be considered by a tender board for larger orders (over dollars 1,000/pounds sterling 750).

Proper books of account should be kept up to date, senior officers should regularly check that this is the case.

Proper segregation of duties should be maintained, the following three tasks should be undertaken by separate staff and/or sections:

- * authorisation of local purchase orders or invoices for payment
- * receipt or custody of the goods or services
- * maintenance of the purchase ledger, cash book and other accounting records.

Formal bank reconciliations should be undertaken by staff who are not responsible for maintaining the cash book at least once a month. The bank balances recorded on the bank statements should be clearly balanced to the amounts recorded in the cash books. Any differences should be investigated and cleared by senior officers. The bank reconciliations should be undertaken every time that a bank statement is received, for the more active accounts this could be every day.

Cheques that have not been cashed should be written off six months after issue. The banks should be instructed not to honour cheques that are more than six months old.

3 Payroll

There should be an official register of casual workers.

All appointments should be authorised by a designated senior official.

There should be careful liaison between the relevant department, the Accountant-General and the Public Service Commission. Records held by each of these sections should be carefully reconciled at least annually to ensure that an agreed list of employees is maintained.

4 Staff advances

Appropriate detailed records should be maintained for all advances made. These should be regularly copied to the Accountant-General.

The records held by the department should be regularly reconciled with the Accountant-General's records.

A listing of outstanding advances should be reviewed regularly by senior staff in the department and the Accountant-General's office. Any unusual, late or large items should be investigated.

Last pay certificates should be prepared promptly and completely for all staff leaving. Any outstanding advances should be deducted from the final pay.

Car and house loans should only be issued with security. As a last resort the ministry should have access to funds from the sale of the car or house to repay the advance.

Building loans should only be paid against independent progress certificates on the actual building undertaken.

5 Stock and fixed asset records

All stock records should be kept up to date. Surprise stock checks should ensure that stock and stock records are complete.

Independent stock takes should be undertaken at least once a year and, additionally, whenever there is a change of stock keeper.

An appropriate register should be maintained of all fixed assets above an agreed value. There should be checks at least once a year that all the assets are clearly accounted for and are held securely.

The disposal of all public assets should be carefully controlled. Public auctions should be held for all significant asset disposals.

The basic controls described above should be documented in financial regulations or instructions. Andy Wynne, the Bulletin editor, would be very interested to receive copies of government financial regulations. He would also be pleased to provide advice or comment on draft versions of revised government financial regulations.

AN INTERNAL AUDIT BROCHURE

Internal audit should market its services to managers across its organisation. Below we have reproduced an internal audit brochure that was developed recently for a new governmental organisation in the UK.

We would be pleased to receive comments on this brochure and to reproduce other examples in future issues of the Bulletin.

A message from the Chief Executive

I am personally responsible to the Public Accounts Committee for the quality of internal control within the Organisation. For this reason I have a particular interest that all my managers maintain sound internal controls. Internal Audit assists managers in introducing and maintaining these controls. It also provides me with assurance that their responsibilities in this area are being fulfilled. Internal controls should ensure that significant risks to the achievement of our objectives are being effectively managed. Internal Audit can help managers to ensure that they have identified all major risks in their area of responsibility. It also provides professional advice on cost effective ways of managing these risks by introducing suitable controls.

In order to achieve a balanced response to the risks we face I expect Internal Audit and colleagues to work co-operatively together. This should enable Internal Audit to play its full role in the success of the Organisation.

Chief Executive

What is Internal Audit?

We undertake reviews of significant systems across the Organisation. We help managers to introduce and maintain sound systems of internal control and risk management procedures. We also provide independent assurance to Directors, the Chief Executive and Council (through its Audit Committee) that operational managers are fulfilling their responsibilities for effective risk management and sound internal control.

We are a division within the Finance Directorate. The Head of Internal Audit is also accountable, to:

- * the Chief Executive
- * the Council through its Audit Committee.

The Audit Committee has agreed our scope, objectives and responsibilities in the Terms of Reference for Internal Audit.

The scope of Internal Audit

The scope of our activity covers the entire Organisation's systems of internal control. We are responsible for providing assurance on all activities, operations, resources, services and responsibilities for other bodies.

Internal controls help managers to ensure that all areas within the Organisation:

- * achieve their objectives
- * are economic and efficient
- * comply with agreed policies, laws and regulations
- * safeguard their assets and interests from losses or misuse, including those arising from fraud, irregularity and corruption
- * produce suitable and reliable management information.

As Internal Auditors, we have unrestricted access to all the Organisation's personnel, premises, documents, records (including electronic data), information and assets. We are authorised to obtain the information and explanations we consider necessary from any employees or agents of the Organisation that are relevant to our objectives and responsibilities.

Internal Audit plans

We plan to review all significant systems across the Organisation. These plans are developed in consultation with appropriate managers and are agreed with the Audit Committee.

We agree the scope, objectives and timing of our assignments with the relevant managers. We produce reports of each of our assignments. These reports include an opinion on the quality of internal control within the system and an action plan agreed with the local managers.

Special Investigations Unit

The SIU has responsibility for:

- * fostering a counter fraud culture
- * identifying cases of potential fraud
- * undertaking investigations into cases of suspected fraud or financial irregularity.

Advice to managers

We provide advice by:

- * undertaking workshops to assist with the identification and management of key risks
- * providing specialist advice on the appropriate controls for, for example, information and communication technology; and the letting of contracts
- * working with managers to ensure that sound control procedures are introduced in new or significantly amended systems.

Contacting Internal Audit

We are based at Head Office. Our key managers are:

- ***** Head of Internal Audit e-mail and telephone
- ***** Manager A e-mail and telephone
- ***** Manager B e-mail and telephone
- ***** Manager C e-mail and telephone

BOOK REVIEW

If you have read a book recently that you think would be of interest to readers of this Bulletin, please send in a brief review.

COMPUTER AUDIT GUIDELINES: all you need to know to optimise and protect your IT investment
CIPFA (hardback) pounds sterling 97.50
Fully revised fifth edition, 1998, 466 pages (ISBN 0273 63261 2)

When I reviewed the fourth edition of this book in 1994 I said that: "This is the definitive guide to computer auditing in the public sector". This accolade should now be extended by omitting the restriction to the public sector, this is now the guide to computer auditing.

This edition has been completely rewritten and restructured. The book is now structured around 17 control matrices that, individually or in suitable combinations, can be used to form the basis of almost any review of computer systems that you would need to undertake.

Each chapter starts with a general introduction and consideration of the risks associated with the particular system. The second section of each chapter documents the control matrices (these are also included on the disk that comes with the book). These matrices include a number of control objectives and the controls that are considered necessary to ensure the achievement of each objective. The final section then provides an explanation of the controls including the risks associated with non-achievement of each of the control objectives.

This approach means that this edition is much more practical than its predecessor and can be used directly during computer audit reviews. This edition is not a text book on computer audit, it is a practical guide to undertaking reviews of computer systems that should improve the quality of your reviews of these systems from the first day that you use it.

This book also provides an essential source of reference for general auditors and audit managers who need to have a background understanding of computer controls and basic terminology.

However, no book is perfect. The sub-title is an extravagant claim: no book provides 'all you need to know'. Therefore it is all the more annoying that a guide to further reading is not provided. One new web site that should have been referred to claims that 'IT Auditors can stop surfing the Net and fill all their IT needs by visiting <http://www.ITAudit.org>'.

Some topics are noticeable by their absence, for example, consideration of the specific risks and controls available within Unix and other common operating systems and consideration of performance management with current computer systems. Signposts to material that is available on these subjects would have made the book more comprehensive.

This is a volume that should be purchased by all serious audit sections and will improve the quality of work performed by all, but the most well informed, computer auditors. It will also provide an invaluable guide for all managers and enable them to grasp a full understanding of the basic controls that are necessary for all computer systems. The next edition of this publication is currently being prepared and promises to be even better!

Andy Wynne

PUBLICATIONS AND RESOURCES

AuditNet - <http://www.auditnet.org>

AuditNet is a conceptual model developed by Jim Kaplan. The original concept was for a central electronic resource for the audit community that would provide a link for auditors world-wide. This has evolved into a network of resources available for auditors. A listing of those electronic resources is updated and distributed monthly via the Internet. AuditNet includes Jobs for Auditors and an inventory of Audit Work Programs.

Newly Added Resources:

Central Banks/Federal Bank/Reserve Bank Audit Discussion List. The list address is bankaudit@listbot.com All those who are interested in joining can write to: bankaudit-owner@listbot.com or directly to peter.mahlaela@resbank.co.za List is open to central /federal reserve/reserve Bank auditors only. Other bankers interested may also request access to the list by sending an e-mail to peter.mahlaela@resbank.co.za

Internal Audit Benchmarking Association (<http://iabenchmarking.com/index.html>) organization of corporate internal audit departments that conduct benchmarking studies to identify practices the improve the overall operations of members.

Quality Assurance Review (<http://www.racar.com/acua2.html>) Web site provides standard forms that can be used in a quality assurance review.

Security Audit Checklist (<http://www.summersault.com/chris/techno/security/auditlist.html>) is an article that discusses the methods for performing a security audit on a computer system.

Internal control in banks

The Bank for International Settlements has a range of documents - available from <http://www.bis.org/publ/index.htm> - of interest to internal auditors working for banks this includes

Framework For Internal Control Systems In Banking Organisations [Basel Committee on Banking Supervision, September 1998].

Internal Audit books available on the Internet - <http://www.cipfa.org.uk/publications>
The Chartered Institute of Public Finance (CIPFA) in the UK publishes a range of books on public finance and internal audit. These are available for purchase by credit card on-line.

Fraud and corruption news

The CIPFA Better Governance & Counter Fraud web pages now offer free access to a news alert service on fraud and corruption. The service selects specific items of news from over 4000 sources in the UK and beyond, and is refreshed every five minutes, 24 hours a day. It is an essential source of information for public sector practitioners interested in counter fraud activity.
<http://www.ipf.co.uk/governance>

Risk management readings

The IIA have produced a list of risk-related articles, books, and other publications to assist internal auditors and their organizations in monitoring, evaluating, and improving the effectiveness of risk management systems and processes. Internal auditors are encouraged to evaluate risk management information from a wide variety of sources, to ensure that they can effectively add value to their organizations through monitoring and evaluating the effectiveness of their organizations' risk management systems.
http://www.theiia.org/ecm/guide-ia.cfm?doc_id=1604

The Southern African Institute of Government Auditors

The Southern African Institute of Government Auditors was founded in 1988. The objectives of the Institute are broadly defined and encompass the promotion and advancement of accountability and auditing. Since the principles of government auditing are based on the generic principles of auditing, the Institute strives to promote auditing in its wider context.

Unlike most accounting Institutes, the Southern African Institute of Government Auditors is not a trade association, but it focuses on the advancement of the disciplines of accountability and auditing.

Its website (at <http://www.saiga.co.za/default.htm>) includes a range of information including: news releases & communication; publications; standards & guidelines; members courses; Public Finance Management Academy; PFMA Discussion Forum; contact details; & links.

Internal Audit Research: The First Half Century (Gerald Vinten 1996)

A review of the contribution that internal audit research has made in the last 50 years. It focuses on the research work of the Institute of Internal Auditors which has helped to propel internal audit from a semi-professional to professional status.

Order by email from: info@accaglobal.com including 'Vinten' in the subject line.

NAO - UK Value for money reports available

Copies of the National Audit Office value for money reports are available free from:
<http://www.nao.gov.uk/publications/vfmsublist/index.htm>

South African Department of Finance website

The South African Department of Finance has established a website at
<http://www.finance.gov.za/pfma/>

This includes guidance on the implementation of the requirements of the act and more is promised as follows:

- * Guideline for Accounting Officers - this guide will explain the approach to the Act and Treasury Regulations, and should be used by all accounting officers and their officials to help them implement the Act
- * best-practice guide on monthly reporting
- * internal audit & audit committees
- * departmental implementation plans
- * strategic plans.

List for Internal Auditors in higher education

The Council of Higher Education Internal Auditors (CHEIA) in the UK has established a e-mail discussion list and welcomes as subscribers all auditors and accountants whose participation would constructively contribute to the effectiveness of Internal Audit in higher education. The list is organised so that Internal Auditors working within higher education can discuss issues of the day, share problems and generally exchange information.

Any Internal Auditors wishing to join the list should send an e-mail message to the following address: mark.welsh@sunderland.ac.uk

Please explain your internal audit post and which Institution you work for in order for your application to be approved. On joining you will get a set of more detailed instructions on how to use the discussion list.

CHEIA's website is <http://www.cheia.ac.uk/> Since 1 April 2001, it has included an on-line version of the 'cheia leader' newsletter.

ACCA Communities

ACCA Communities is a free Internet service for ACCA members and students and their business contacts. They can use the service to set up or take part in virtual interest groups, to provide secure virtual workspaces for collaboration on projects or business deals or to support self-help study. Each virtual group has its own document area, database, group mailing list, calendar and voting mechanism.

Since the launch, communities have been created to discuss tax and audit issues, ACCA's practice support tool, Business Navigator and its lifelong learning proposals. To find out more visit:

<http://www.accacommunities.com>

Please let us know if you have found any Websites that you think other internal auditors would find useful.

ACCA INTERNAL AUDIT SUB-COMMITTEE

The Internal Audit Sub-committee is a sub-committee of ACCA's Auditing Committee. The terms of reference of the sub-committee are:

1. To promote, in co-operation with other relevant professional bodies, the development and best practice of internal audit.
2. To bring to the attention of the Audit Committee developments in internal audit practice which are considered to be relevant to the ACCA and its members.
3. To consider and comment on any significant internal audit issues.
4. To keep under review developments and any policies, procedures or regulations relating to corporate governance so far as these concern internal auditors.
5. To consider whether there are additional services in the form of newsletters, networking facilities or training which ACCA could usefully and practically offer to its members who are internal auditors.
6. To consider whether there are topics for research on internal audit which should be referred through Audit Committee to the Research Sub-committee.

7. To monitor the output of other professional bodies and authoritative groupings in regard to internal audit matters.
 8. To be aware of, and through Audit Committee to liaise with the External Affairs Committee on, the public relations potential of the Sub-committee's work.
- The Chairman of the Sub-committee is Richard Nelson, Controller of Audit at The Lattice Group plc. The other members are senior internal auditors or internal audit specialists covering the public and private sectors. The Internal Audit Bulletin editor, Andy Wynne, is a member of the Sub-committee.

PASS ON DETAILS OF THIS BULLETIN TO OTHERS

Please pass on information contained in this Bulletin to anyone in your organisation or any other internal auditors who may find it useful. Information contained in this Bulletin may be freely copied in other publications if mention is made of the Bulletin.

Your internal audit colleagues can register to receive future Bulletins by sending contact details including telephone number by e-mail to: info@accaglobal.com putting the word 'regbull' in the subject line.

If you no longer wish to receive the Bulletin or if you change your e-mail address, again please contact us at the above e-mail address putting 'debull' or 'changebull' respectively in the subject line.

Please include your full name, clearly state the type of organisation that you work for and whether you are a member of the ACCA. This will enable us to update our records and ensure that the Bulletin contains information that is of interest to its readers. The service is open and free to all internal auditors across the world, regardless of whether or not they are members of the ACCA. We will not pass on your details to any third party.

Best wishes, Andy Wynne, Editor

The End