

# INTERNAL AUDIT PROCESSES AND PROCEDURES FOR FINANCIAL ACCOUNTABILITY

## INTRODUCTION

The Internal Audit is a managerial control which functions by **evaluating the effectiveness of Internal Control system** in an organization. It is an independent appraisal unit established to examine and evaluate and to keeps strict attention to rules and procedures of control of all the activities of the council. The management needs assurance of the **authenticity of the financial records** and **efficiency of the operations** of the organization. Hence, the establishment of internal audit unit under the supervision of the accounting officer of the entity.

## 2. WHAT IS AUDIT

Financial Regulations **Chapter 17** describes Audit as a process of **examining and reviewing** financial transactions to give assurance of the financial statements such that the position of financial statements presented has a **true and fair** view in a given period. It gives expression of an opinion as to whether the financial statements are fairly presented in **conformity** with appropriate **accounting principles** and **extant laws**. It is a systematic approach and independent examination of books of accounts to verify accuracy, analyze and reporting financial transactions of income and expenditures of an organization.

## 3. CLASSIFICATION OF AUDIT

- i) **External Audit:** This is an independent examination of financial records by an independent Accounting Firm. The purpose is to express an opinion whether the financial records presented are true and fair in all aspects. It is a requirement of the law that all MDAs must have their financial statements audited at the end of each financial year and will express an opinion if the financial

records have truly represented the affairs of the company. For example. **NEPC has** Chartered accountant company that audit its account records at the end of each year

- i) **Internal Audit:** This is an independent appraisal function for the review of accounting and internal control system as established as a service to the organization. It is to help the management in achieving its objectives and goals. (Operational, Pre-audit, Post, General, Special and Limited audit)

#### **4. SCOPE OF INTERNAL AUDIT**

The main scope of internal audit is examination and evaluation of adequacy and reliability of the council's system of financial control which can be broken down to the following.

- i) The efficacy and effectiveness of operations
- ii) The reliability of financial records,
- iii) Deterring and investigating fraud
- iv) Safeguarding assets. E.g., comprehensive assets register, coding of the assets,
- v) Compliance with laws and regulations.

#### **5. PURPOSE OF AUDIT**

The primary aim of an Internal Audit is to **ensure compliances** to Financial Regulations/ circulars and other legal entities with a view of ascertaining adequate risk management and safeguard against potential fraud, waste, mismanagement or loss i.e

- To give credibility to financial records.
- To ensure that financial records are prepared with compliance to financial rules and Regulations and other extant laws.

The secondary aim is to carry out the following:

- To prevent errors and fraud.
- To detect errors and frauds.
- To write audit reports and provide a constructive advice

## **6. OBJECTIVES OF AUDITING**

- To ascertain compliances with governance mechanism for transparency and accountability such as Financial Regulations, circulars and extant laws.
- To ascertain the effectiveness and efficiency of internal control system, identify the short fall and give a constructive advice.
- To verify and ensure that fixed assets are documented and properly safeguarded.
- Review economy, efficiency and effectiveness of operations. E.g., value for money audit.
- To ensure the reliability of the accounts presented with respect to financial transactions. E.g., cross examination of cash books and other final account records.
- To be proactive and ensure that all payment advances are retired as at when due.
- Liaising with account, procurement and stores section to ensure due process is followed.
- To form an independent opinion on the financial statements of the audited entity. The opinion includes whether the financial statements show a true and fair view and have been properly prepared in accordance with accounting standards.

## **7. FUNCTIONS OF INTERNAL AUDITOR: -**

- In-depth prepayment audit of payment vouchers & other books of accounts prior to completion and payment. Examples are payment vouchers, supply of goods etc.

- Carrying out a comprehensive post audit examinations on all transactions to ascertain that the conditions of the transactions were duly followed in Headquarters, Regional and Smart offices.
- Examination and evaluation of the adequacy system of internal control and procedures applied by the organization that covers the examination of all transactions, both financial and non-financial, i.e., Stores and fixed assets, amongst others.
- Ensuring that an adequate system of securities is put in place in the organization.
- Give a monthly, quarterly and half yearly audit report to the Chief Executive Officer and Accountant – General of the Federation
- Issuing a special report on any irregularities in the accounting records and forward to the Accounting Officer.
- Examine the reliability of accounting and reporting systems by audit of random sampling to ascertain if internal controls are being followed. (E-registration of Exporters, sales of publications, hall rent via TSA)
- To ensure that Internal Generated Revenue on E-reg. and sales of publication are remitted to Sub-Treasury of the federation.
- To carry out substantive test restricted to some particular segments of the financial and non-financial records. This may be as a result of special findings. E.g., information on nominal roll/pay slip
- To Conduct special investigations into particular areas, for example, suspected fraud, study of asset wastage and efficiency of operating units.
- Verification of Stores items including Assets to ensure all purchased/ supply are done according to specifications and also taken charge by the store officer.

- Cross-Examination of final account records to ascertain true and fair position of financial statement.

## **8. KEY ELEMENTS OF AN EFFECTIVE INTERNAL AUDIT**

- i) Organization independency
- ii) Unrestricted access
- iii) Sufficient funding
- iv) Competent leadership
- v) Objectivity
- vi) Stakeholders support

## **9. CONCLUSION:**

The Audit Unit is an integral part of any organization. The functions of the Unit in the day-to-day running of the organisations as well as the relevance of the unit to set up standards and ensuring compliance to rules and regulations and extant laws could not be overemphasised.

**THANK YOU FOR LISTENING**

**THANKS FOR YOUR TIME**

**THANK YOU FOR YOUR PATIENCE**

