# 

“Building Community Resilience to Local Disasters”

**MEANINGFUL WELL-BEING OF THE COMMUNITY THROUGH KNOWLEDGE TRANSFORMATION(MWOK)**

**INTERNAL AUDIT POLICY**

JANUARY 2023

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**1). Organization background**

Meaningful well-being of the community through knowledge transformation (MWOK) is a non-governmental, non-profit that joined other development partners to provide humanitarian response in Sudan. It was registered and operationalized in July 2016. The organization not only worked for poverty alleviation through providing basic assistance but also promoting communities and institutional capacity building, peace building, life-saving services, working and supporting good governance. This manual is to provide guidance to both the employees and the MWOK managements regarding introduction, maintenance and exit of employees.

**2). OUR VISION:** We envisioned resilient communities that is healthy, productive and empowered for sustainable well-being and development.

**3). OUR MISSION STATEMENT:** To work with communities and district local governments in disaster prone areas for building resilience for sustainable development.

**4). OUR GOAL:** To achieve large scale, positive changes through building capacities, responding emergencies and social programs that enable women and men to realize their potential.

5). **OUR CORE VALUES:** We at MWOK our core values include: Integrity, inclusiveness and diversity, effectiveness, innovativeness, transparency and accountability, and results oriented. We remain at all times committed to these values, and to our mission statement and vision.

**6).** MWOK **Internal Control System:**

Internal control is the process designed, implemented and maintained by management, and other personnel to provide reasonable assurance about the achievement of the Organization's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and Compliance with applicable laws and regulations.

Internal control has five (5) components:

1. The control environment
2. Risk assessment process
3. The information system relevant to financial reporting
4. Control activities
5. Monitoring of controls

**6.1. Control environment**:

Control environment includes the governance and management functions and the attitudes, awareness and actions of the management for the establishment of an environment that itself forbids the malpractices and activities. A strong control environment does not, by itself, ensure the effectiveness of the overall internal control System, but can be a positive factor for the Organization’s activities.

**6.2. Risk assessment process**

MWOK team, in the process of the risk assessment process performs the below activities;

1) Identifies the Organizational risks relevant to financial reporting objectives

2) Estimates the significance of the risks

3) Assess the likelihood of their occurrence

4) Identifies the procedures and policies to address those risks

**6.3. Control Information system**

The information system relevant to reporting is a component of internal control that includes

The reporting system, and consists of the procedures and records established to initiate, record,

Process and report Organization’s activities and to maintain accountability for the related assets, liabilities and equity.

In MWOK the controls information system includes the below areas;

* Control over the classes of transactions in the Organization's operations that are significant to the financial statements
* Control over the procedures, within both IT and manual systems, by which those transactions are initiated, recorded, processed, corrected, transferred to the general ledger and reported in the financial Statements.
* Control over the related accounting records, supporting information and specific accounts in the financial statements, in respect of initiating, recording, processing and reporting transactions.
* Control over the events and conditions, other than transactions, that are significant to the financial statements.
* Control financial reporting process used to prepare the Organization's financial statements, including significant accounting estimates and disclosures.
* Controls surrounding journal entries, including non-standard journal entries used to record nonrecurring, unusual transactions or adjustments.

**6.4. Control activities**

Control activities are those policies and procedures that help ensure that activities are aligned with the mission and vision of MWOK

Control activities include those activities designed to prevent or to detect and correct errors. Controls activities includes but are not limited to the;

**6.4.1. Authorization**

Transactions should be approved by an appropriate person. For example, salary increment to be approved by the Chief Executive Officer.

**6.4.2 Performance reviews,**

Control accounts bring together transactions in individual ledgers. Trial balances bring together transactions for the organization as a whole. Preparing these can highlight unusual transactions or accounts. Comparing the achievement in the targets for the projects on monthly basis.

**6.4.3 Information processing**

Reconciling the data in the organizations record with that of other related entity e.g. Banks. Comparing the performance between the organizational data base and that of the sectorial data hub.

**6.4.4 Physical controls**

Physical control includes but are not limited to limited access of the staff to certain assets whether tangible or not.

**6.4.5 Segregation of duties.**

Segregation implies a number of people being involved in the process of performing a job. This makes it more difficult for fake, fraudulent and biased activities and transactions to be processed since a number of people would have to collude in the process, and it is also more difficult for accidental errors to be processed since the more people are involved, the more checking there can be. Segregation should take place in various ways:

* The key functions that should be segregated are the carrying out of a Transaction, recording that transaction in the accounting records and maintaining custody of

Assets that arise from the transaction.

* The various steps in carrying out the transaction should also be segregated.
* The carrying out of various accounting operations should be segregated. For example, the same Staff should not record transactions and carry out the reconciliations at the period end.

**6.5 Monitoring of controls**

Monitoring of controls is a process to assess the effectiveness of internal control performance over time.

It includes assessing the design and operation of controls on a timely basis and taking necessary corrective actions modified for changes in conditions.

MWOK monitors the activities and processes regularly and whenever required to furtherly enrich the internal control systems and procedures.

The monitoring strategy is developed based on the below areas:

* The orderly and efficient conduct of Organization:

To ensure that activities are efficient and conducted in an orderly manner and is aligned with the Mission of the organization.

* Adherence to internal policies:

To ensure that all the activities and projects ae implemented by the application of the organizational policies, e.g., in the hiring, procurement, human rights and all other areas.

* Safeguarding of assets

To Ensure that all the assets tangible or intangible and intellectual assets of the organization are fully protected and where applicable insured.

Asset management system is in place and custodian is fully responsible for the theft and damage of the organizational assets.

* Prevention and detection of fraud and error

The monitoring process includes; to properly observe whether the objective for the fraud and error free activities is in place or not. There must be preventive measures to stop the occurrence of fraudulent activities and always a true and fair view of the organizational activities to be provided to all the stakeholders.

In the terms of the financial reporting, it is the responsibility of the finance department and their supervisor to ensure that the financial statements are developed on true and fair grounds.

During all the processes and procedures undertaken and implemented in MWOK there must be internal controls that are well known to the staff for the prevention and detection of the fraud and errors.

Also the staff must be aware of the consequences for their involvement in any unfair activities.

* Accuracy and completeness of the accounting records' / 'timely preparation of reliable financial Information

To Ensure that the organization and fulfilled the statutory requirements and obligations and also the financial statements agree with the underlying records.

**7. Internal Audit Function**

**7.1 Purpose:**

MWOK recognizes the relevance of strengthening governance and control systems through the establishment of an efficient and effective internal audit function.

The purpose of the ‘Internal audit Function’ is to set out the framework within which Internal Audit department provides objective and independent assurance and advice to the Board of Directors of the Organization, over the processes and systems of internal control and risk management operating in the Organization.

Internal auditing provides assurance on the Organization’s controls, risk management, and governance to help the Organization achieve its strategic, operational, financial, and compliance objectives.

Internal Auditing is a catalyst for improving the Organization’s effectiveness and efficiency by providing insight and recommendations based on analyses and assessments of data and processes.

**7.2 Objectives of Policy:**

The objectives of this Policy are to:

a) Establish an effective and efficient internal audit function that will provide independent, objective assurance and appropriate services designed to add value and improve Organization’s operations.

b) Embed a culture of continuous improvement practices across Organization.

c) Ensure adequate controls are in place to minimize risk for Organization’s assets, employees and operations.

d) Developing and maintaining a culture of accountability and integrity

e) Facilitating the integration of risk management into day-to-day activities and processes,

f) Promoting a culture of consciousness, self-assessment and adherence to high ethical standards.

**7.3 SCOPE**

This Policy applies to all the Organization’s activities, including other organizations working in Joint venture with MWOK or are sub-awardees of the organization.

All Organization officers, contractors, the officers and Committee members of related entities, involved in and with responsibility for contributing towards the achievement of Organization’s objectives, asset management and reporting responsibilities.

The scope of internal audit shall be sufficiently comprehensive to ensure the effective and regular review of all operational, financial and related activities. Internal audit coverage may extend to all areas of Organization including financial, accounting, administrative and operational activities in compliance with applicable legislative requirements.

Advisory services to offer professional objective and independent advice to BOD on a range of matters including for new services, systems and processes and risk management.

Detecting and reporting irregularities so that Organization can take action and report such irregularities in accordance with legislative requirements.

Risk assessment and management, including the identification and assessment of risks to which Organization’s operations are exposed.

When an external service provider undertakes the Internal Audit activity as a result of out sourcing the function, the provider will make BOD aware that BOD has overall responsibility for maintaining an effective Internal Audit function.

**7.4 Objectives of the Internal Audit Assignment:**

An effective internal audit function will seek to achieve the following outcomes in undertaking the annual audit plan:

* Assess and evaluate Organization’s processes, procedures and internal control environment to assist with the management of strategic and operational risks, appraise the relevance, reliability and integrity of management, Project Implementation, financial and operating records and reports.
* Assist the Board of Directors in the effective discharge of their responsibilities by providing them with analyses, appraisals, reports, recommendations and information concerning the activities reviewed.
* Review compliance with Organization’s policies and procedures, legislative requirements, regulations and best practice, and Provide outcomes that will generally improve practices across Organization.

**7.5 CODE OF ETHICS for the Internal Auditors:**

Internal Auditors must adhere to the Code of Ethics which governs the behavior of individuals in the conduct of internal auditing.

The Internal Auditor must have an impartial, unbiased attitude and avoid any conflict of interest. The Internal Auditor must declare and disclose any Conflict of Interest to the Organization, including any potential conflict of interest.

Internal auditors are expected to apply and uphold the following principles:

* Integrity – The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement.
* Confidentiality – Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.
* Competency – Internal auditors apply the knowledge, skills and experience needed in the performance of internal audit services.
* Independence and objectivity – The internal audit function must be independent from the organization’s other departments and Internal Auditors must be objective in performing their internal audit work.

Objectivity is essential in performing the audit role. Accordingly, internal audit engagements shall be performed with an unbiased and impartial attitude. Furthermore, internal audit shall not be involved in the day-to-day operations of Organization, nor in the designing, installing, or maintaining of systems, procedures or controls, but instead will advise, make recommendations on these matters and provide advice or assurance to management that controls contribute to Organization’s intended objectives.

Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgments.

If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed to appropriate parties. The nature of the disclosure will depend on the impairment.

**7.6 Audit approach**

The Internal Audit function must evaluate and contribute to the improvement of governance, risk management, and control processes using a systematic, disciplined, and risk-based approach. Internal Audit credibility and value will be enhanced when auditors are proactive and their evaluations offer new insights and consider future impacts.

A risk based internal audit approach shall be implemented each financial year to determine the priorities of the Internal Audit activity, consistent with Organization’s strategic goals.

The annual Internal Audit Plan will be endorsed by the board of Trustees in consideration of the most significant current risks, significant interim changes and any impacts of resource limitations facing Organization.

Relevant accounting documents will also be considered in the preparation of the internal audit plan.

**7.6.1 Audit Planning**

Organization’s Internal Auditor must develop and document a plan for each audit, including the audit’s objectives, scope, timing and resource allocation. The plan must consider Organization’s strategies, objectives, and risks relevant to the engagement.

**7.6.2 Authority, access and confidentiality**

The Internal Auditor has no powers, authorities, functions or duties except those relating to the internal audit function. Therefore, the audits and evaluations do not in any way relieve other persons in Organization of the responsibilities assigned to them.

Internal audit shall have direct and unrestricted access to Organization and management. It is authorized to review all areas of Organization with full, free and unrestricted access to Organization’s operations, data, records, assets and personnel.

All Organization Officers must cooperate fully in making available any material, system or information requested by the Internal Auditor.

Information acquired by internal audit in the course of their duties must remain strictly confidential.

**7.6.3 Reporting responsibility and communication**

The internal audit function will report to the Board of Directors which allows the Internal Audit activity to fulfil its responsibilities. Where required, Internal Auditors will communicate, report and interact directly with the Board of Directors.

Internal Auditors must communicate the results of the audit and or their engagement. Communication must be accurate, objective, clear, concise, constructive, complete, and timely. If a final communication contains a significant error or omission, the Internal Auditor must communicate corrected information to all parties who received the original communication.

The Internal Audit function must report periodically to the BOD on the Internal Audit activity’s purpose, authority, responsibility and performance relative to its plan and on its conformance with the Standards for the Professional Practice of Internal Auditing. Reporting must also include significant risk and control issues, including fraud risks, governance issues, and other matters that require the attention of the Audit and Risk Committee.

**7.7 Management’s responsibility for corrective action**

The Management team is responsible for ensuring that corrective action on recommendations made or deficient conditions reported by Internal Audit relating to internal audits is taken within the agreed timeframes.

Recommendations are considered outstanding until they are implemented and or hold a status of ‘complete’. All recommendations are tracked and reported to the Internal Audit department on a regular basis by the relevant department.

If the management foresees difficulties implementing the recommendations within the agreed time frame, the Management should advise the relevant Director and the CEO regarding the cause of delay and the revised implementation schedule.

The Director is ultimately responsible for effective and timely action and responses on all Internal Audit observations and recommendations.

**7.8 Time Frame for Internal Audit:**

The internal audit will be conducted on bi-annual basis and the plan and exact dates will be shared with the relevant departments 1 week before the start of the audit.

Also, if required ad-hoc assignments will also be conducted with no prior notices.

**7.9 Internal Audit Resourcing**

Where required or is cost efficient the internal audit function will be outsourced to a suitably qualified and experienced external service provider and specialist audit services support will be engaged as required. All work undertaken by the external service provider within the Organization must be approved by the Board of Trustees.

**Annex 1 Internal Audit Report:**

**Executive Summary:**

* The explanation for the audit assignment,
* Responsibility of the audit team
* Time Frame

**Audit Conclusion:**

|  |  |  |
| --- | --- | --- |
| S/N | Internal Control Components | Risk Rating |
| 1 | Control Environment |  |
| 2 | Risk Assessment |  |
| 3 | Control Activities |  |
| 4 | Information and Communication |  |
| 5 | Monitoring Activities |  |
|  |  |  |
| **Over All Risk Ratting** | |  |

**Key Recommendation:**

Total = ?

High Priority = ?

**Summary of the Audit Finding:**

* Control Environment

Observation, Implication, Risk Grading, Audit Recommendation and Priority

|  |  |  |  |
| --- | --- | --- | --- |
| S/N | Audit Rating | No of findings | Priority |
| 1 | Fully Satisfactory Findings | 1, 2, 3 | NA |
| 2 | Satisfactory Funding/ Some Improvements Required | 1, 2, 3 | High, Medium, Low |
| 3 | Partially Satisfactory/ Major Improvement Require | 1, 2, 3 | High, Medium, Low |
| 4 | Un Satisfactory | 1, 2, 3 | High, Medium, Low |

* Risk Assessment

Observation, Implication, Risk Grading, Audit Recommendation and Priority.

|  |  |  |  |
| --- | --- | --- | --- |
| S/N | Audit Rating | No of findings | Priority |
| 1 | Fully Satisfactory Findings | 1, 2, 3 | NA |
| 2 | Satisfactory Funding/ Some Improvements Required | 1, 2, 3 | High, Medium, Low |
| 3 | Partially Satisfactory/ Major Improvement Require | 1, 2, 3 | High, Medium, Low |
| 4 | Un Satisfactory | 1, 2, 3 | High, Medium, Low |

* Information and Communication

Observation, Implication, Risk Grading, Audit Recommendation and Priority

|  |  |  |  |
| --- | --- | --- | --- |
| S/N | Audit Rating | No of findings | Priority |
| 1 | Fully Satisfactory Findings | 1, 2, 3 | NA |
| 2 | Satisfactory Funding/ Some Improvements Required | 1, 2, 3 | High, Medium, Low |
| 3 | Partially Satisfactory/ Major Improvement Require | 1, 2, 3 | High, Medium, Low |
| 4 | Un Satisfactory | 1, 2, 3 | High, Medium, Low |

* Monitoring Activities

Observation, Implication, Risk Grading, Audit Recommendation and Priority

|  |  |  |  |
| --- | --- | --- | --- |
| S/N | Audit Rating | No of findings | Priority |
| 1 | Fully Satisfactory Findings | 1, 2, 3 | NA |
| 2 | Satisfactory Funding/ Some Improvements Required | 1, 2, 3 | High, Medium, Low |
| 3 | Partially Satisfactory/ Major Improvement Require | 1, 2, 3 | High, Medium, Low |
| 4 | Un Satisfactory | 1, 2, 3 | High, Medium, Low |

Last Report Pending Findings;

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| S/N | Finding | Control Component | Action Required | Time Frame | Status of Work |
| 1 |  |  |  |  |  |
| 2 |  |  |  |  |  |
| 3 |  |  |  |  |  |
| 4 |  |  |  |  |  |
| 5 |  |  |  |  |  |

**Audit Ratings:**

**Fully Satisfactory:**

The assessed governance arrangement, risk management practices and controls were adequately established and functioning well. Issues identified by the audit if any are unlikely to affect the achievement of the Organizational objectives.

**Satisfactory:**

The assessed governance arrangement, risk management practices and controls were adequately established and functioning, but needs some improvements.

Issues identified by the audit do not significantly affect the achievement of the Organizational objectives.

**Partially Satisfactory:**

The assessed governance arrangement, risk management practices and controls were established and functioning, but needs major improvements.

Issues identified by the audit could significantly affect the achievement of the Organizational objectives.

**Unsatisfactory:**

The assessed governance arrangement, risk management practices and controls were either not adequately established or functioning well, but needs major improvements.

Issues identified by the audit could seriously compromise the achievement of the Organizational objectives.

**Priorities of Audit Recommendation:**

High:

Prompt action is require and the time frame must be as short as possible to ensure that OWH is not exposed to high risks and failure to do so bears unavoidable negative consequences.

Medium:

Action is required to be taken while having a good time period. The consequences are not immediate and thus the recommendations could be applied in a matter of weeks and a couple of months.

Low:

Action is desirable but not required, the internal controls are working and to furtherly enrich the internal controls these recommendations are made. That could be implemented any time in the future. (Action required with no set time frame).

**8. Message by the Management Team**

MWOK management team is thankful to all the employees for their effort in the finalization of the policy and for bringing the Organization to this position.

Thank you for everything you do for making MWOK a successful and terrific place to work.

MWOK believes that all the rules and regulation must be formed to the best interest of the Organization, the sector of its operation and to the wider population.

**9. Revision of the Policy**

MWOK reserves the right to revise, modify any or all clauses of this policy depending upon the need of the day and after making discussion in the board meetings.